


4KIDS OF SOUTH FLORIDA, INC.
and SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report
and
Federal and State Awards
In Accordance with the Uniform Guidance
and Florida Chapter 10.650

Year Ended June 30, 2023

CAPINCROUSE LLP

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

**Table of Contents**


| | Page |
|---|---|
| Independent Auditors' Report | 1 |
| Consolidated Financial Statements | |
| Consolidated Statements of Financial Position | 3 |
| Consolidated Statement of Activities–2023 | 4 |
| Consolidated Statement of Activities–2022 | 6 |
| Consolidated Statement of Functional Expense–2023 | 8 |
| Consolidated Statement of Functional Expense–2022 | 9 |
| Consolidated Statements of Cash Flows | 10 |
| Notes to Consolidated Financial Statements | 11 |
| Federal Awards | |
| Independent Auditors' Report on Supplemental Information | 21 |
| Schedule of Expenditures of Federal Awards | 22 |
| Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance | 25 |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* | 26 |
| Independent Auditors' Report on Compliance for Each Major Federal Program and State Financial Assistance Project and Report on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* | 28 |
| Schedule of Findings and Questioned Costs | 31 |
| Auditee Summary Schedule of Prior Audit Findings | 34 |

CAPINCROUSE LLP

**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Audit of the Consolidated Financial Statements**

***Opinion***

We have audited the accompanying consolidated financial statements of 4KIDS of South Florida, Inc. and Subsidiaries (a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of 4KIDS of South Florida, Inc. and Subsidiaries as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of 4Kids of South Florida, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management 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, and 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 4KIDS of South Florida, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

1255 Lakes Parkway, Suite 105
Lawrenceville, GA 30043
505.50.CAPIN
capincrouse.com

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 4KIDS of South Florida, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 4KIDS of South Florida, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards,* we have also issued our report dated March 18, 2024, on our consideration of 4KIDS of South Florida Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 4KIDS of South Florida, Inc. and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 4KIDS of South Florida, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Capin Crouse LLP

Lawrenceville, Georgia
March 18, 2024

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

## Consolidated Statements of Financial Position

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| ASSETS: | | |
| Cash and cash equivalents | $ 4,495,125 | $ 4,885,100 |
| Accounts and other receivables | 771,963 | 717,068 |
| Pledges receivable | 724,375 | - |
| Prepaid expenses and other assets | 314,115 | 83,415 |
| Property and equipment–net | 7,606,920 | 7,538,218 |
| Total Assets | $ 13,912,498 | $ 13,223,801 |
| LIABILITIES AND NET ASSETS: | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 932,495 | $ 570,260 |
| Mortgage note payable | 486,098 | 498,074 |
| Total liabilities | 1,418,593 | 1,068,334 |
| Net assets: | | |
| Without donor restrictions | 9,884,634 | 10,324,872 |
| With donor restrictions | 2,609,271 | 1,830,595 |
| Total net assets | 12,493,905 | 12,155,467 |
| Total Liabilities and Net Assets | $ 13,912,498 | $ 13,223,801 |

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

## Consolidated Statement of Activities

Year Ended June 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| SUPPORT AND REVENUE: | | | |
| Support: | | | |
| Contributions | $ 6,760,529 | $ 1,493,160 | $ 8,253,689 |
| Special events | 704,093 | - | 704,093 |
| | 7,464,622 | 1,493,160 | 8,957,782 |
| Revenue: | | | |
| Government and Private funding | 3,761,933 | - | 3,761,933 |
| Rental | 123,357 | - | 123,357 |
| Program services | 201,918 | - | 201,918 |
| Other | 241,718 | - | 241,718 |
| | 4,328,926 | - | 4,328,926 |
| Total Support and Revenue | 11,793,548 | 1,493,160 | 13,286,708 |
| RECLASSIFICATIONS: | | | |
| Satisfaction of purpose or time restrictions | 714,484 | (714,484) | - |
| EXPENSES: | | | |
| Program services: | | | |
| Foster care | 3,490,489 | - | 3,490,489 |
| EPIC Program | 2,551,031 | - | 2,551,031 |
| Residential foster care | 898,477 | - | 898,477 |
| Community Engagement | 958,117 | - | 958,117 |
| His Caring Place | 406,465 | - | 406,465 |
| TIL 2:25 | 516,302 | - | 516,302 |
| CarePortal | 273,989 | - | 273,989 |
| HopeConnect | 90,856 | - | 90,856 |
| | 9,185,726 | - | 9,185,726 |

(continued)

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

**Consolidated Statement of Activities**
(continued)

Year Ended June 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| EXPENSES, continued: | | | |
| Supporting activities: | | | |
| General and administrative | 1,507,184 | - | 1,507,184 |
| Fundraising: | | | |
| Donor relations | 1,757,441 | - | 1,757,441 |
| Marketing | 497,919 | - | 497,919 |
| | 2,255,360 | - | 2,255,360 |
| | 3,762,544 | - | 3,762,544 |
| Total Expenses | 12,948,270 | - | 12,948,270 |
| Change in Net Assets | (440,238) | 778,676 | 338,438 |
| Net Assets, Beginning of Year | 10,324,872 | 1,830,595 | 12,155,467 |
| Net Assets, End of Year | $ 9,884,634 | $ 2,609,271 | $ 12,493,905 |

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

## Consolidated Statement of Activities

Year Ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| SUPPORT AND REVENUE: | | | |
| Support: | | | |
| Contributions | $ 5,527,180 | $ 2,592,847 | $ 8,120,027 |
| Special events | 608,386 | - | 608,386 |
| | 6,135,566 | 2,592,847 | 8,728,413 |
| Revenue: | | | |
| Government funding | 3,295,744 | - | 3,295,744 |
| Gain on extinguishment of debt | 2,225,454 | - | 2,225,454 |
| Rental | 81,869 | - | 81,869 |
| Program services | 247,114 | - | 247,114 |
| Other | 73,167 | - | 73,167 |
| | 5,923,348 | - | 5,923,348 |
| Total Support and Revenue | 12,058,914 | 2,592,847 | 14,651,761 |
| RECLASSIFICATIONS: | | | |
| Satisfaction of purpose or time restrictions | 1,327,465 | (1,327,465) | - |
| EXPENSES: | | | |
| Program services: | | | |
| Foster care | 3,163,865 | - | 3,163,865 |
| EPIC Program | 2,107,531 | - | 2,107,531 |
| Residential foster care | 697,921 | - | 697,921 |
| Community Engagement | 597,172 | - | 597,172 |
| His Caring Place | 412,582 | - | 412,582 |
| TIL 2:25 | 420,018 | - | 420,018 |
| CarePortal | 257,744 | - | 257,744 |
| Prevention Initiative | 334 | - | 334 |
| | 7,657,167 | - | 7,657,167 |

(continued)

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

**Consolidated Statement of Activities**
(continued)

Year Ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| EXPENSES, continued: | | | |
| Supporting activities: | | | |
| General and administrative | 1,080,861 | - | 1,080,861 |
| Fundraising: | | | |
| Donor relations | 1,579,126 | - | 1,579,126 |
| Marketing | 312,530 | - | 312,530 |
| | 1,891,656 | - | 1,891,656 |
| | 2,972,517 | - | 2,972,517 |
| Total Expenses | 10,629,684 | - | 10,629,684 |
| Change in Net Assets | 2,756,695 | 1,265,382 | 4,022,077 |
| Net Assets, Beginning of Year | 7,568,177 | 565,213 | 8,133,390 |
| Net Assets, End of Year | $ 10,324,872 | $ 1,830,595 | $ 12,155,467 |

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

| | Program Services | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foster Care | EPIC Program | Residential Foster Care | Community Engagement | His Caring Place | TIL 2:25 | CarePortal | HopeConnect | Total Program Services |
| Compensation and benefits | $ 2,773,129 | $ 2,031,486 | $ 490,395 | $ 738,022 | $ 244,082 | $ 245,769 | $ 266,062 | $ 33,607 | $ 6,822,552 |
| Payments to foster parents | 45,993 | 53 | 3,623 | 17 | 204 | - | - | - | 49,890 |
| Professional services | 238,212 | 136,728 | 11,227 | 92,296 | 496 | 33,180 | - | 39,372 | 551,511 |
| Other operating expenses | 126,592 | 312,462 | 76,590 | 68,560 | 16,850 | 39,374 | 7,927 | 2,961 | 651,316 |
| Occupancy and depreciation | 139,844 | 70,085 | 316,329 | 37,028 | 144,363 | 196,730 | - | - | 904,379 |
| Community awareness | 166,719 | 217 | 313 | 22,194 | 470 | 1,249 | - | 14,916 | 206,078 |
| | $ 3,490,489 | $ 2,551,031 | $ 898,477 | $ 958,117 | $ 406,465 | $ 516,302 | $ 273,989 | $ 90,856 | $ 9,185,726 |

| | Supporting Services | | | | | |
|---|---|---|---|---|---|---|
| | | Fundraising | | | | |
| | General and Administrative | Donor Relations | Marketing | Total Fundraising | Total Supporting Services | Total Expenses |
| Compensation and benefits | $ 820,397 | $ 1,168,245 | $ 213,428 | $ 1,381,673 | $ 2,202,070 | $ 9,024,622 |
| Payments to foster parents | - | - | - | - | - | 49,890 |
| Professional services | 80,379 | 186,010 | 163,049 | 349,059 | 429,438 | 980,949 |
| Other operating expenses | 245,433 | 115,163 | 59,125 | 174,288 | 419,721 | 1,071,037 |
| Occupancy and depreciation | 322,368 | 59,290 | 15,156 | 74,446 | 396,814 | 1,301,193 |
| Community awareness | 38,607 | 228,733 | 47,161 | 275,894 | 314,501 | 520,579 |
| | $ 1,507,184 | $ 1,757,441 | $ 497,919 | $ 2,255,360 | $ 3,762,544 | $ 12,948,270 |

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

| | Program Services | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foster Care | EPIC Program | Residential Foster Care | Community Engagement | His Caring Place | TIL 2:25 | CarePortal | HopeConnect | Total Program Services |
| Compensation and benefits | $ 2,292,244 | $ 1,472,391 | $ 425,253 | $ 437,494 | $ 275,788 | $ 226,570 | $ 245,373 | $ - | $ 5,375,113 |
| Payments to foster parents | 147,312 | - | 2,117 | 328 | 740 | - | - | - | 150,497 |
| Professional services | 172,750 | 111,329 | 9,119 | 70,070 | 752 | 27,913 | 2,395 | - | 394,328 |
| Other operating expenses | 179,524 | 459,735 | 38,883 | 41,660 | 11,252 | 27,440 | 9,976 | 334 | 768,804 |
| Occupancy and depreciation | 129,293 | 64,008 | 222,549 | 32,956 | 123,354 | 138,095 | - | - | 710,255 |
| Community awareness | 242,742 | 68 | - | 14,664 | 696 | - | - | - | 258,170 |
| | $ 3,163,865 | $ 2,107,531 | $ 697,921 | $ 597,172 | $ 412,582 | $ 420,018 | $ 257,744 | $ 334 | $ 7,657,167 |

| | Supporting Services | | | | | |
|---|---|---|---|---|---|---|
| | | Fundraising | | | | |
| | General and Administrative | Donor Relations | Marketing | Total Fundraising | Total Supporting Services | Total Expenses |
| Compensation and benefits | $ 520,285 | $ 994,818 | $ 191,400 | $ 1,186,218 | $ 1,706,503 | $ 7,081,616 |
| Payments to foster parents | 500 | 739 | - | 739 | 1,239 | 151,736 |
| Professional services | 115,490 | 180,531 | 60,310 | 240,841 | 356,331 | 750,659 |
| Other operating expenses | 156,921 | 61,304 | 30,314 | 91,618 | 248,539 | 1,017,343 |
| Occupancy and depreciation | 261,250 | 55,184 | 12,923 | 68,107 | 329,357 | 1,039,612 |
| Community awareness | 26,415 | 286,550 | 17,583 | 304,133 | 330,548 | 588,718 |
| | $ 1,080,861 | $ 1,579,126 | $ 312,530 | $ 1,891,656 | $ 2,972,517 | $ 10,629,684 |

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

| | Year Ended June 30, 2023 | Year Ended June 30, 2022 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ 338,438 | $ 4,022,077 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 217,984 | 213,286 |
| Gain on extinguishment of debt | - | (2,225,454) |
| Contributions for long-term purposes | - | (503,456) |
| Changes in operating assets and liabilities: | | |
| Accounts and other receivables | (54,895) | (146,736) |
| Pledges receivable | (724,375) | - |
| Prepaid expenses and other assets | (230,700) | 2,572 |
| Accounts payable and accrued expenses | 362,235 | (72,808) |
| Net Cash Provided (Used) by Operating Activities | (91,313) | 1,289,481 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures for property and equipment | (286,686) | (526,924) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on mortgage note payable | (11,976) | (1,926) |
| Contributions for long-term purposes | - | 503,456 |
| Net Cash Provided (Used) by Financing Activities | (11,976) | 501,530 |
| Net Change in Cash and Cash Equivalents | (389,975) | 1,264,087 |
| Cash and Cash Equivalents, Beginning of Year | 4,885,100 | 3,621,013 |
| Cash and Cash Equivalents, End of Year | $ 4,495,125 | $ 4,885,100 |
| SUPPLEMENTAL DISCLOSURES: | | |
| Interest paid | $ 19,889 | $ 3,385 |
| NONCASH INVESTING ACTIVITIES: | | |
| Property and equipment acquired through issuance of note payable | $ - | $ 500,000 |

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

June 30, 2023 and 2022

1. NATURE OF ORGANIZATION:

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

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 (the Code), is classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Code, 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.

4KIDS Real Estate, Inc., was organized in September 2020 under the Florida Not-For-Profit Corporation Ac. It is not a private foundation with the meaning of section 509(a) of the Internal Revenue Code (the "Code"), is exempt from income taxes under section 501(c)(3) of the Code, and is qualified for deductible contributions as provided in section 170 of the Code.

4KIDS Real Estate, Inc., exists to further the purposes of 4KIDS of South Florida, Inc. and is classified as a Type 1 supporting organization under section 509(a)(3) of the Code. It is also classified as an integrated auxiliary of 4KIDS of South Florida, Inc., and is exempt from filing the annual IRS Form 990 tax return under section 6033(a)(3)(i) of the Code.

4KIDS Foundation, Inc. was organized in September 2020 under the Florida Not-For-Profit Corporation Ac. It is not a private foundation with the meaning of section 509(a) of the Code, is exempt from income taxes under section 501(c)(3) of the Code, and is qualified for deductible contributions as provided in section 170 of the Code.

4KIDS Foundation, Inc., exists to further the purposes of 4KIDS of South Florida, Inc. and is classified as a Type 1 supporting organization under section 509(a)(3) of the Code. It is also classified as an integrated auxiliary of 4KIDS of South Florida, Inc., and is exempt from filing the annual IRS Form 990 tax return under section 6033(a)(3)(i) of the Code.

1. NATURE OF ORGANIZATION, continued:

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 it 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:

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* –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 though 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

*Community Engagement* (CE)– CE consists of the Church Engagement team as well as the Volunteer department. The Church Engagement Team is responsible for the management and stewardship of church relationships that contribute to the recruitment and ministry to foster families. The Volunteer department organizes and coordinates volunteer participation through events, service projects, program and office support, and Family Advocacy Ministry (FAM) teams that provide practical support and encouragement for our foster families.

*His Caring Place* (HCP)– HCP provides maternity care to pregnant and parenting 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.

1. NATURE OF ORGANIZATION, continued:

*Transitional Independent Living 2:25* (TIL 2:25)–TIL 2:25 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.

*HopeConnect*–This program equips parents and caregivers to instill the Hope of God's Word into the life of their child who have experienced trauma. HopeConnect is a free, digital platform designed to create meaningful connections through Everyday moments. These expertly designed activities that allow parents to connect with their children while connecting their children to the Hope of God's Word.

*CarePortal*–The implementation of the CarePortal technology platform which provides a connection point to meet the tangible and relational needs of vulnerable children and families. The intent is to connect children and families with churches to meet tangible needs, but also develop a network of support for the families to improve the well-being of the family and thereby prevent the need for children to enter foster care. The Organization facilitates training of child welfare partners to submit requests into the system and churches, businesses, and individuals to respond to those requests. The Organization provides Bible story books to participating churches, at no cost to them, to give to children served. Additionally, the CarePortal Team supports the CarePortal users by providing initial troubleshooting of issues using the system, coordinate functional meetings to help identify collective trends and issues to ensure the effective use to the system, and coordinates all community meetings and other interactive events to promote positive dialogue and relationships among partners.

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, 4KIDS America, 4KIDS Real Estate, and 4KIDS Foundation. All significant inter-company balances and transactions have been eliminated.

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. The Organization maintains its cash and cash equivalents with high credit, quality financial institutions, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and utilizes an insured cash sweep strategy to minimize exposure. At June 30, 2023 and 2022, the Organization's cash balances exceeded federally insured limits by $537,255 and $3,060,425, 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 TIL 2:25 program 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, 2023 and 2022, management has determined that no allowance is necessary, as all balances are considered collectible.

PLEDGES RECEIVABLE

When a donor has unconditionally promised to contribute funds to the Organization in future periods, the Organization recognizes a pledge receivable. Pledges expected to be collected within one year are recorded as support and a receivable at a net realizable value. Pledges expected to be collected in future years are recorded as support and a receivable at the present value of the expected future cash flows. For the years ended June 30, 2023 and 2022, discounts on the pledges receivable are immaterial, and management has determined not to record those amounts. As of June 30, 2023 and 2022, no allowance for uncollectible pledges receivable has been recorded, as management believes that the pledges receivable are fully collectible.

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

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and funding, 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 funding 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.

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 support with donor restrictions 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

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, 2023 and 2022, special events revenue is recorded gross of special events related expense of $152,021 and $276,753, 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 compensation and benefits, 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, 2023 and 2022, the Organization received 24% of total support and revenue from two 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.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of June 30, 2023 and 2022, 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.

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Financial assets, at year-end: | | |
| Cash and cash equivalents | $ 4,495,125 | $ 4,885,100 |
| Accounts and other receivables | 771,963 | 717,068 |
| Pledges receivable | 724,375 | - |
| | 5,991,463 | 5,602,168 |
| Less those not available for general expenditure within one year, due to: | | |
| Pledges receivable collectible beyond one year | (431,333) | - |
| Financial assets available to meet cash needs for general expenditures within one year | $ 5,560,130 | $ 5,602,168 |

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, 2023, the Organization has $2,497,902 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 or as the related time restrictions are fulfilled.

4. ACCOUNTS AND OTHER RECEIVABLES:

Accounts and other receivables consist of:

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| ChildNet | $ 254,354 | $ 142,798 |
| Children's Network of Southwest Florida | 17,651 | 51,094 |
| Citrus Family Care Network | 57,682 | - |
| Communities Connected for Kids | 100,211 | 104,570 |
| Department of Children and Families | 125,000 | 62,500 |
| Receivables due from related party | 2,383 | 2,835 |
| Other receivables | 214,682 | 353,271 |
| | $ 771,963 | $ 717,068 |

5. PLEDGES RECEIVABLE:

Pledges receivable consist of:

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Unconditional pledges receivable | $ 724,375 | $ - |
| Amounts due in: | | |
| Less than one year | $ 293,167 | $ - |
| Two to fours years | 431,208 | - |
| | $ 724,375 | $ - |

6. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Land and improvements | $ 1,658,732 | $ 1,658,732 |
| Buildings and improvements | 7,809,255 | 7,540,941 |
| Vehicles | 168,952 | 168,952 |
| Furniture and fixtures | 494,107 | 494,107 |
| | 10,131,046 | 9,862,732 |
| Less accumulated depreciation | (2,562,476) | (2,330,489) |
| | 7,568,570 | 7,532,243 |
| Construction in progress | 38,350 | 5,975 |
| | $ 7,606,920 | $ 7,538,218 |

7. MORTGAGE NOTES PAYABLE:

Mortgage notes payable consists of:

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Mortgage note payable to a certain financial institution with a fixed interest rate of 4% which is subject to change at various scheduled points during the term of the note payable; requires monthly principal and interest payments in the amount of $2,655 through maturity in April 2037; collateralized by certain real estate. | $ 486,098 | $ 498,074 |

Principal maturities of the mortgage note payable are estimated as follows:

| Years Ending June 30, | Amounts |
|---|---|
| 2024 | $ 12,659 |
| 2025 | 13,175 |
| 2026 | 13,712 |
| 2027 | 14,271 |
| 2028 | 14,852 |
| Thereafter | 417,429 |
| | $ 486,098 |

8. NET ASSETS WITH DONOR RESTRICTIONS:

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

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Expansion to Southwest Florida | $ 2,245,544 | $ 1,496,544 |
| TIL 2:25 program | 13,909 | 13,909 |
| Other | 293,872 | 320,142 |
| EPIC program | 1,000 | - |
| CARE portal | 54,946 | - |
| | $ 2,609,271 | $ 1,830,595 |

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, 2023 and 2022, the Organization made contributions of $99,016 and $88,489, respectively, to the Plan.

10. SUBSEQUENT EVENTS:

Effective October 2023, the Organization began leasing certain facilities under a noncancelable operating lease expiring in 2026. The lease requires monthly payments ranging from $4,125 to $6,035. The right of use asset and liability equaled $160,813 at the inception of the lease.

Subsequent events have been evaluated through March 18, 2024, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

# FEDERAL AWARDS

CAPINCROUSE LLP

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION**

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

We have audited the consolidated financial statements of 4KIDS of South Florida, Inc. and Subsidiaries as of and for the years ended June 30, 2023 and 2022, and our report thereon dated March 18, 2024, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance on pages 22-24, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and State of Florida Chapter 10.650, *Rules of the Auditor General*, and is not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Lawrenceville, Georgia
March 18, 2024

1255 Lakes Parkway, Suite 105
Lawrenceville, GA 30043
505.50.CAPIN
capincrouse.com

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

## Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2023

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Federal/CFSA Assistance Listing Number | Agreement Number | Pass Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|---|---|---|---|---|---|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | | | | |
| State of Florida Foster Care Services Cluster*: | | | | | |
| Passed through from ChildNet, Inc.: | | | PJT22-Broward | | |
| Temporary Assistance for Needy Families | 93.558 | | | $ - | $ 1,154 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | | | - | 8 |
| Foster Care Title IV-E | 93.658 | | | - | 360,516 |
| Adoption Assistance | 93.659 | | | - | 22,350 |
| Social Services Block Grant | 93.667 | | | - | 37,465 |
| | | | | - | 421,493 |
| Passed through from ChildNet, Inc.: | | | PPJ22-Palm Beach | | |
| Temporary Assistance for Needy Families | 93.558 | | | - | 1,080 |
| Foster Care Title IV-E | 93.658 | | | - | 309,653 |
| Adoption Assistance | 93.659 | | | - | 21,518 |
| Social Services Block Grant | 93.667 | | | - | 65,996 |
| | | | | - | 398,247 |
| Total passed through from ChildNet, Inc. | | | | - | 819,740 |

(continued)

See notes to schedule of expenditures of federal awards and state financial assistance

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

## Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2023

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Federal/CFSA Assistance Listing Number | Agreement Number | Pass Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|---|---|---|---|---|---|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, continued: | | | | | |
| State of Florida Foster Care Services Cluster, continued: | | | | | |
| Passed through from Communities Connected for Kids, Inc.: | | | CCK23-106 | | |
| MaryLee Allen Promoting Safe and Stable Families Program | 93.556 | | | - | 21,658 |
| Temporary Assistance for Needy Families | 93.558 | | | - | 1,799 |
| Foster Care Title IV-E | 93.658 | | | - | 444,796 |
| Adoption Assistance | 93.659 | | | - | 36,888 |
| Total passed through from Communities Connected for Kids, Inc. | | | | - | 505,141 |
| Passed through from Children's Network of Southwest Florida, LLC: | | | BBT07 | | |
| Temporary Assistance for Needy Families | 93.558 | | | - | 658 |
| Foster Care Title IV-E | 93.658 | | | - | 162,664 |
| Adoption Assistance | 93.659 | | | - | 13,490 |
| Total passed through from Children's Network of Southwest Florida, LLC | | | | - | 176,812 |

(continued)

See notes to schedule of expenditures of federal awards and state financial assistance

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

## Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2023

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Federal/CFSA Assistance Listing Number | Agreement Number | Pass Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|---|---|---|---|---|---|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, continued: | | | | | |
| State of Florida Foster Care Services Cluster, continued: | | | | | |
| Passed through from Citrus Family Care Network: | | | #22-13 | | |
| Temporary Assistance for Needy Families | 93.558 | | | - | 1,562 |
| Foster Care Title IV-E | 93.658 | | | - | 236,254 |
| Adoption Assistance | 93.659 | | | - | 9,432 |
| Total passed through from Citrus Family Care Network | | | | - | 247,248 |
| Total State of Florida Foster Care Services Cluster* | | | | - | 1,748,941 |
| Total U.S. Department of Health and Human Services | | | | - | 1,748,941 |
| Total Expenditures of Federal Awards | | | | $ - | $ 1,748,941 |
| STATE PROJECTS | | | | | |
| Passed through from ChildNet, Inc.: | | | | | |
| Child Welfare Out-of-Home Supports* | 60.074 | | PJT22-Broward | - | 366,022 |
| Child Welfare Out-of-Home Supports* | 60.074 | | PPJ22-Palm Beach | - | 418,169 |
| Total passed through from ChildNet, Inc. | | | | - | 784,191 |
| 4KIDS of Florida Foster Parent Recruitment Project | 60.173 | IJ711 | | - | 750,000 |
| Total State Financial Assistance | | | | $ - | $ 1,534,191 |
| Total Expenditures of Federal Awards and State Financial Assistance | | | | $ - | $ 3,283,132 |

*Major Program

See notes to schedule of expenditures of federal awards and state financial assistance

# 4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

## Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

June 30, 2023

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards and state financial assistance (the schedule) includes the federal grant and state grant activity of 4KIDS of South Florida, Inc. and Subsidiaries (Organization) under programs of the federal government and State of Florida for the year ending June 30, 2023. The information in the schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements. Expenditures in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.650, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. If the Organization is required to match certain federal or state assistance, as defined by the grant agreements, no such matching has been included as expenditures in the schedule.

2. INDIRECT COST RATE:

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. RELATIONSHIP TO CONSOLIDATED FINANCIAL STATEMENTS:

The amount of total expenditures of federal awards and state financial assistance reconciles to the revenue in the consolidated statement of activities as follows:

| | | |
|---|---|---|
| Total expenditures of federal awards and state financial assistance | $ | 3,283,132 |
| Plus: | | |
| Medicaid reimbursements not subject to Uniform Guidance audit requirements | | 401,946 |
| Private grant revenue | | 89,735 |
| Minus: | | |
| Other reconciling items | | (12,880) |
| Government and private funding per consolidated statement of activities | $ | 3,761,933 |

4. SUBRECIPIENTS, NON-CASH ASSISTANCE, FEDERAL INSURANCE, LOANS, AND LOAN GUARANTEES:

The Organization did not provide any federal funds to subrecipients nor did they receive any federal non-cash assistance, insurance, loans, or loan guarantees.

CAPINCROUSE LLP

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of 4KIDS of South Florida, Inc. and Subsidiaries (Organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 18, 2024.

**Report on Internal Control Over Financial Reporting**
In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

1255 Lakes Parkway, Suite 105
Lawrenceville, GA 30043
505.50.CAPIN
capincrouse.com

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Capin Crouse LLP

Lawrenceville, Georgia
March 18, 2024

CAPINCROUSE LLP

**INDEPENDENT AUDITORS' REPORT**
**ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL***

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

**Report on Compliance for Each Major Federal Program and State Financial Assistance Project**

***Opinion on Each Major Federal Program and State Financial Assistance Project***

We have audited 4KIDS of South Florida, Inc. and Subsidiaries' (Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and Florida *State Projects Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and state financial assistance projects, respectively, for the year ended June 30, 2023. The Organization's major federal programs and state financial assistance projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, 4KIDS of South Florida, Inc. and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program and State Financial Assistance Project***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements of the State of Florida Chapter 10.650, *Rules of the Auditor General* (Chapter 10.650). Our responsibilities under those standards, the Uniform Guidance and Chapter 10.650 are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state financial assistance project. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs and state financial assistance projects.

1255 Lakes Parkway, Suite 105
Lawrenceville, GA 30043
505.50.CAPIN
capincrouse.com

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program and state financial assistance project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

**Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Capin Crouse LLP

Lawrenceville, Georgia
March 18, 2024

# 4KIDS of South Florida, Inc. and Subsidiaries

## Schedule of Findings and Questioned Costs

June 30, 2023

Section I - Summary of Auditors' Results

**Consolidated Financial Statements:**

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes ✔ no
- Significant deficiency(ies) identified that are not considered a material weakness? ____ yes ✔ none reported

Noncompliance material to financial statements noted? ____ yes ✔ no

**Federal Awards:**

Internal control over major programs:

- Material weakness(es) identified? ____ yes ✔ no
- Significant deficiency(ies) identified that are not considered a material weakness? ____ yes ✔ none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings that are required to be reported in accordance with 2 CFR Part 200.516(a)? ____ yes ✔ no

Identification of major program(s):

| Assistance Listing Numbers | Name of Federal Program or Cluster |
|---|---|
| 93.556, 93.558, 93.645, 93.658 93.659, and 93.667 | State of Florida Foster Care Services Cluster |

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ✔ yes ____ no

# 4KIDS of South Florida, Inc. and Subsidiaries

**Schedule of Findings and Questioned Costs**

June 30, 2023

Section I - Summary of Auditors' Results, continued

**Florida State Awards:**

Internal control over major state project:

- Material weakness(es) identified? ____ yes ✔ no
- Significant deficiency(ies) identified that are not considered a material weakness? ____ yes ✔ none reported

Type of auditors' report issued on compliance for major state project: unmodified

Any audit findings that are required to be reported in accordance with Chapter 10.656? ____ yes ✔ no

Identification of major state project(s):

| CFSA Numbers | Name of State Project or Cluster |
|---|---|
| 60.074 | Child Welfare Out-of-Home Supports |

Dollar threshold used to distinguish between type A and type B state projects: $460,257

Auditee qualified as low-risk auditee? ✔ yes ____ no

# 4KIDS of South Florida, Inc. and Subsidiaries

**Schedule of Findings and Questioned Costs**

June 30, 2023

Section II - Financial Statement Findings

There are no current findings in internal control over financial reporting required to be reported in accordance with *Government Auditing Standards.*

Section III - Federal Award Findings and Questioned Costs

There are no current year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

Section IV - State Financial Assistance Projects Findings and Questioned Costs

There are no current findings that were considered material instances of noncompliance in accordance with Florida Statute Chapter 10.650, *Rules of the Auditor General.*

# 4KIDS of South Florida, Inc. and Subsidiaries

## Auditee Summary Schedule of Prior Audit Findings

June 30, 2023

### Financial Statement Findings

There were no prior audit findings in internal control over financial reporting.

### Federal Award Findings

There were no prior audit findings or questioned costs.

### State Financial Assistance Findings

There were no prior audit findings or questioned costs.

CAPINCROUSE LLP

**MANAGEMENT LETTER**

March 18, 2024

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 (the organization) for the year ended June 30, 2023, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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.

1255 Lakes Parkway, Suite 105
Lawrenceville, GA 30043
505.50.CAPIN
capincrouse.com

We will be pleased to further discuss these matters with you and want to express our sincere appreciation to the 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 have evaluated 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*– During the year ended June 30, 2023, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The application of existing policies was not changed during the year.

*Recently issued pronouncements*–The following pronouncements have been issued by the 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 2023 and Fiscal Year 2024:

- ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments
  - The new guidance requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts.
  - Subsequent to issuance, this ASU was amended through ASU 2019-10 in order to extend effective dates.
  - Effective for all other entities, including not-for-profit entities, for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.
  - Early application continues to be allowed and a modified 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. All significant transactions have been recognized in the consolidated financial statements in the proper period.

*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.

The most significant estimates include:

- Depreciation of property and equipment based on a straight line methodology
- Allocation of expenses on a functional basis using estimates of square footage and employee time

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.

**AUDIT COMMITTEE MATTERS, continued**

**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.

**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.