

SOS CHILDREN'S VILLAGE - FLORIDA, INC.

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

December 31, 2012 and 2011

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
December 31, 2012 and 2011

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FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
SOS Children's Village - Florida, Inc.
Coconut Creek, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of SOS Children's Village - Florida, Inc. (a not-for-profit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SOS Children's Village - Florida, Inc. as of December 31, 2012 and 2011, 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.

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Florida Single Audit Act, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

Other Reports Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2013, on our consideration of SOS Children's Village - Florida, Inc.'s 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
April 24, 2013

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

A S S E T S

	<u>2012</u>	<u>2011</u>
ASSETS:		
Cash and cash equivalents	\$ 65,111	\$ 533,127
Contract and other receivables	323,083	188,674
Mortgage note receivable	103,523	105,140
Other assets	32,285	20,991
Investments	517,015	449,727
Property and equipment, less accumulated depreciation of \$ 3,194,120 and \$ 3,026,919, respectively	<u>1,447,636</u>	<u>1,580,091</u>
Total assets	<u>\$ 2,488,653</u>	<u>\$ 2,877,750</u>

L I A B I L I T I E S A N D N E T A S S E T S

LIABILITIES:		
Accounts payable	\$ 37,163	\$ 5,699
Accrued expenses	218,023	219,366
Deferred revenue	-	30,000
Line of credit	25,775	-
Debt	<u>4,463</u>	<u>6,465</u>
Total liabilities	<u>285,424</u>	<u>261,530</u>
 NET ASSETS:		
Unrestricted	<u>2,203,229</u>	<u>2,616,220</u>
Total net assets	<u>2,203,229</u>	<u>2,616,220</u>
Total liabilities and net assets	<u>\$ 2,488,653</u>	<u>\$ 2,877,750</u>

The accompanying notes to financial statements are an integral part of these statements.

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
 STATEMENTS OF ACTIVITIES
 For the Years Ended December 31, 2012 and 2011

	2012	2011
CHANGE IN NET ASSETS:		
Public support:		
Contracts for client services	\$ 1,768,910	\$ 1,734,058
Contributions	1,308,701	1,570,469
Special events	393,742	344,186
	3,471,353	3,648,713
Expenses:		
Program services	3,077,477	2,979,734
Supporting services:		
Fundraising	472,922	428,836
Management and general	227,227	224,094
	3,777,626	3,632,664
	<i>(306,273)</i>	<i>16,049</i>
Other revenues (expenses):		
Unrealized gain on investments	40,656	-
Interest income	19,827	7,126
Provision for depreciation - program	(150,146)	(157,920)
Provision for depreciation - support	(17,055)	(17,937)
	(106,718)	(168,731)
Change in net assets	(412,991)	(152,682)
NET ASSETS, beginning of year	2,616,220	2,768,902
NET ASSETS, end of year	\$ 2,203,229	\$ 2,616,220

The accompanying notes to financial statements are an integral part of these statements.

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

	Supporting Services			
	Program Services	Fund- Raising	Management and General	Total Supporting Services
PERSONNEL COSTS:				Total 2012
Salaries	\$ 1,705,746	\$ 199,956	\$ 134,664	\$ 2,040,366
Taxes and benefits	322,674	37,825	25,474	385,973
Other personnel costs	51,381	6,023	4,056	61,460
Total personnel costs	2,079,801	243,804	164,194	2,487,799
OTHER EXPENSES:				
Home expenses	308,796	20	23	43
Fundraising and development	-	188,178	-	188,178
Children's services	153,888	-	-	-
Insurance	140,492	152	4,345	4,497
Vehicle expenses	134,549	2,017	-	2,017
Professional fees	65,415	140	34,417	34,557
Electric and water	83,126	4,112	4,112	8,224
Maintenance service and supplies	71,261	-	3,815	3,815
General office expenses	30,443	32,003	7,925	39,928
Interest expense and bank fees	9,706	2,496	8,068	10,564
Board of Directors expenses	-	-	328	328
Total other expenses	997,676	229,118	63,033	292,151
Provision for depreciation	150,146	-	17,055	17,055
Total expenses	\$ 3,227,623	\$ 472,922	\$ 244,282	\$ 717,204

The accompanying notes to financial statements are an integral part of these statements.

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011

	Supporting Services			
	Program Services	Fund- Raising	Management and General	Total Supporting Services
PERSONNEL COSTS:				
Salaries	\$ 1,637,596	\$ 191,967	\$ 129,284	\$ 321,251
Taxes and benefits	302,235	35,429	23,861	59,290
Other personnel costs	42,345	625	11,267	11,892
	1,982,176	228,021	164,412	392,433
Total personnel costs				2,374,609
OTHER EXPENSES:				
Home expenses	278,012	-	10,670	10,670
Children's services	200,847	-	-	-
Insurance	-	160,023	-	160,023
Fundraising and development	124,759	2,935	(841)	2,094
Vehicle expenses	117,315	152	3,628	3,780
Maintenance service and supplies	86,368	-	10,988	10,988
General office expenses	54,131	26,951	9,173	36,124
Electric and water	82,109	4,039	4,039	8,078
Professional fees	48,091	1,051	12,731	13,782
Interest expense and bank fees	5,824	5,664	8,764	14,428
Board of Directors expenses	102	-	530	530
	997,558	200,815	59,682	260,497
Total other expenses				1,258,055
Provision for depreciation	157,920	-	17,937	17,937
Total expenses	\$ 3,137,654	\$ 428,836	\$ 242,032	\$ 670,867

\$ 3,808,521

The accompanying notes to financial statements are an integral part of these statements.

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (412,991)	\$ (152,682)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for depreciation	167,201	175,857
Unrealized gains on investments	(40,656)	-
Changes in assets and liabilities:		
(Increase) decrease in contract and other receivables	(134,409)	(21,562)
(Increase) decrease in other assets	(11,294)	23,212
Increase (decrease) in accounts payable	31,464	(11,204)
Increase (decrease) in accrued expenses	(1,343)	22,230
Increase (decrease) in deferred revenue	(30,000)	16,148
	<u>(432,028)</u>	<u>51,999</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash receipts from mortgage receivable	1,617	1,529
Payments for purchases of investments	(26,632)	(353,964)
Purchases of property and equipment	(34,746)	(40,229)
	<u>(59,761)</u>	<u>(392,664)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	169,975	-
Principal payments on debt	(2,002)	(1,914)
Payments on line of credit	(144,200)	-
	<u>23,773</u>	<u>(1,914)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash and cash equivalents	(468,016)	(342,579)
CASH AND CASH EQUIVALENTS, beginning of the year	<u>533,127</u>	<u>875,706</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u><u>65,111</u></u>	\$ <u><u>533,127</u></u>

The accompanying notes to financial statements are an integral part of these statements.

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 - ORGANIZATION AND OPERATIONS

SOS Children's Village - Florida, Inc., (the "Organization") is incorporated as a not-for-profit corporation. The Organization provides residential foster care for dependent children in a setting that is equivalent of a family setting. Each home provides care for approximately six children with a full time staff who stay in the house on a rotating basis with additional part time staff as needed.

The Organization is established and operated in accordance with the rules, regulations and criteria established by the SOS Kinderdorf International Herman Gmeiner Fund (SOS-KD1-HGFD) which is headquartered in Innsbruck, Austria, to the extent there is no conflict with any applicable Federal or state laws or regulations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Restricted and unrestricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. The Organization had no temporarily or permanently restricted net assets as of December 31, 2012 and 2011.

Cash and cash equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization routinely maintains cash balances at a financial institution which may exceed Federally insured amounts. Accounts are insured by the Federal Deposit Insurance Corporation up to \$ 250,000 per depositor. From December 31, 2010 through December 31, 2013, deposits held at all FDIC-insured institutions, in noninterest-bearing transaction accounts were fully insured regardless of the amount in the account.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to give are due currently and uncollectible promises to give are expected to be insignificant based on historical experience and no allowance for uncollectible promises to give is considered necessary.

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization did not have any unconditional or conditional promises to give as of December 31, 2012 and 2011.

Allowance for doubtful accounts:

Management periodically reviews the contract receivable balances and provides an allowance for accounts which may be uncollectible. At December 31, 2012 and 2011 management considers the contract receivables to be fully collectible within the current accounting period and no allowance for doubtful accounts is considered necessary.

Investments:

The Organization's investments are comprised of various securities carried at their fair value based on quoted market prices or other methods. Unrealized gains and losses in fair value are recorded as increases or decreases to unrestricted net assets.

Property and equipment:

Property and equipment are carried at cost if purchased or at fair value at the date of the contribution if donated, less accumulated depreciation. The Organization's policy is to provide for depreciation using the straight-line method over the estimated useful lives of the particular asset which are as follows:

Buildings and improvements	10-27.5 years
Automotive equipment	5 years
Furniture and equipment	5-7 years

Donated property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time.

Maintenance and repairs to property and equipment are charged to expense when incurred. It is the Organization's policy to capitalize property and equipment over \$ 1,000 and a useful life greater than one year.

Deferred revenue

Deferred revenue consists of monies received for future fundraising events. Revenues are recognized when the corresponding expenses are incurred.

Grant and contract revenue:

Grant and contract revenue is recognized when the allowable costs as defined by the individual grant or contract are incurred. Grant and contracts receivable at year end represent allowable expenditures, which have not yet been reimbursed by the granting agency.

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses:

Program and supporting services are charged with their direct expenses. Other expenses are allocated based on their proportionate share of total expenses.

Joint costs of fundraising appeals:

The Organization utilizes various pamphlets, brochures and informational methods to inform the general public of their activities and to solicit funds. These costs are charged to fundraising.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of management review:

Subsequent events have been evaluated by management through April 24, 2013, which is the date the financial statements were issued.

NOTE 3 - INVESTMENTS

At December 31, 2012 and 2011, investments by type, at fair value, were as follows:

	2012	2011
Mutual funds	\$ 498,332	\$ 443,977
Money market funds/cash	12,933	-
Corporate bond	5,000	5,000
Preferred stock	750	750
Total investments	\$ 517,015	\$ 449,727

Fair value measurements:

Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) No. 820, *Fair Value Measurements and Disclosures* established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The inputs or methodology used for valuing securities are not necessarily an indication of risk associated with investing in those securities. The three levels of the fair value hierarchy are as follows:

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 3 - INVESTMENTS (continued)

- Level 1 – inputs are quoted market prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement dates.
- Level 2 – inputs are other than quoted prices included within Level 1 that are observable for the investments either directly or indirectly (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices) or redeemable at net asset value as if the measurement date.
- Level 3 – inputs that are unobservable inputs for the investments (e.g. information about assumptions, including risk, market participants would use in pricing a security).

The fair value of investments by type at December 31, 2012 was as follows:

Investments in:	Level 1	Level 2	Level 3	Total 2012
Mutual funds	\$ 498,332	\$ -	\$ -	\$ 498,332
Money market funds/cash	12,933	-	-	12,933
Corporate bond	5,000	-	-	5,000
Preferred stock	<u>750</u>	<u>-</u>	<u>-</u>	<u>750</u>
Total	<u>\$ 517,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 517,015</u>

The fair value of investments by type at December 31, 2011 was as follows:

Investments in:	Level 1	Level 2	Level 3	Total 2011
Mutual funds	\$ 443,977	\$ -	\$ -	\$ 443,977
Corporate bond	5,000	-	-	5,000
Preferred stock	<u>750</u>	<u>-</u>	<u>-</u>	<u>750</u>
Total	<u>\$ 449,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,727</u>

For the valuation of mutual funds, money market funds/cash, corporate bond, and preferred stock at December 31, 2012 and 2011, the Organization used quoted prices in principal active markets as of the valuation date (Level 1). All of the Organization's investments are categorized as unrestricted.

NOTE 4 – MORTGAGE NOTE RECEIVABLE

The Organization has mortgage note receivable of \$ 103,523 and \$ 105,140 at December 31, 2012 and 2011, respectively. The mortgage note is amortized over 30 years and has an interest rate of 5.50%. Monthly installments of approximately \$ 600 commenced in January 2010 and payments will be made over a five year period with a final balloon payment of approximately \$ 100,000 due in December 2014.

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012 and 2011

NOTE 5 - CONTRACTS FOR CLIENT SERVICES

Funding agreements for services to be provided are entered into on an annual basis. The release of funds are subject to monies being made available by the Federal government, State of Florida, Broward County and certain other donor agencies. Certain of these agreements may be terminated by either party with thirty days written notice.

Program expenditures made by the Organization are subject to additional audit by grantor agencies. As a result of such audits, the grantor may require that amounts be returned. In certain instances, the grantor may increase its grant of funds to the Organization to offset amounts which would otherwise be repayable based on audits.

NOTE 6 - DONATED GOODS AND SERVICES

The Organization receives donated goods and services, paying for most services requiring specific expertise. However, a number of volunteers have donated their time in certain of the Organization's program service areas, fundraising activities and efforts to solicit charitable contributions. Because of the difficulty in determining the number of hours for such services, they are not disclosed in the accompanying financial statements. However, when the value of donated services requires specific expertise, they are recorded in the financial statements as a revenue and expense, or as property and equipment, depending upon the nature of the services provided. For the years ended December 31, 2012 and 2011, the Organization recorded \$ 1,836 and \$ 16,900, respectively, in such services in connection with certain program services.

For the years ended December 31, 2012 and 2011, the Organization received donated goods totaling \$ 23,348 and \$ 21,010, respectively, in connection with its program services and fund raising activities, which were recorded at their fair value.

NOTE 7 - PROPERTY AND EQUIPMENT

The following is a schedule of property and equipment at December 31, 2012 and 2011:

	2012	2011
Buildings and improvements	\$ 3,800,329	\$ 3,765,583
Automotive equipment	282,821	282,821
Furniture and equipment	270,774	270,774
	4,353,924	4,319,178
Less accumulated depreciation	3,194,120	3,026,919
	1,159,804	1,292,259
Land	287,832	287,832
	\$ 1,447,636	\$ 1,580,091

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012 and 2011

NOTE 8 - INCOME TAXES

The Organization is a nonprofit organization exempt from tax under Internal Revenue Code Section 501(c)(3); therefore, no tax provision has been made in the accompanying financial statements.

NOTE 9 - RELATED PARTY TRANSACTIONS

A past source of funding for the Organization has been SOS Kinderdorf International Herman Gmeiner Fund (SOS-KDI-HGFD). The Organization did not receive any funding during 2012 or 2011. This prestigious organization is a multi-year nominee for the Nobel Peace Prize.

SOS-USA was organized as a separate entity to operate as the coordinating body for all organizations in the United States supporting or operating children's villages in accordance with the principles of SOS-KDI-HGFD. This organization oversees the operations of its United States affiliates: SOS Children's Village - Florida, Inc. and SOS Children's Village - Illinois, Inc. The Organization did not receive any direct funding from SOS-USA in 2012 and 2011.

In the event of SOS Children's Village - Florida, Inc.'s dissolution, the assets of the Organization will revert to SOS-USA.

NOTE 10 - DEBT

Debt at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Note payable to a finance company, in monthly installments of \$ 236, including interest at 11.93% through August 2014. This note is collateralized by property and equipment with a net book value of approximately \$ 4,000 (2012) and \$ 6,000 (2011).	\$ <u>4,463</u>	\$ <u>6,465</u>

Future debt principal payments are approximately as follows:

Year Ending December 31,	2012	2011
2012	\$ -	\$ 2,000
2013	\$ 2,700	\$ 2,700
2014	\$ 1,800	\$ 1,800
Thereafter	\$ NONE	\$ NONE

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012 and 2011

NOTE 11 - LINE OF CREDIT

At December 31, 2012 and 2011, the Organization has a \$ 150,000 revolving line of credit. Borrowings against the line of credit bear interest at the bank prime rate plus .50% or a minimum of 4.50% (4.50% at December 31, 2012 and 2011). The credit line is collateralized by all inventory, unencumbered equipment, general intangibles and fixtures and is due on demand. At December 31, 2012, this credit line facility had a balance of \$ 25,775. At December 31, 2011, this credit line facility had no outstanding balance.

NOTE 12 - EMPLOYEE RETIREMENT PLAN

The Organization has a 401(K) Savings Plan which covers all employees who meet certain age and years of service requirements. The Organization provides a matching contribution up to 5% of the first 5% that is contributed by the employee. Contributions commence after one year of service and participants are vested according to a vesting schedule based on years of service. Plan expense relative to the Organization for the years ended December 31, 2012 and 2011, was approximately \$ 30,700 and \$ 33,000, respectively.

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Other Cash Flow Information:

	2012	2011
Cash received during the year for - Interest income	\$ <u>19,827</u>	\$ <u>7,126</u>
Cash paid during the year for - Interest expense	\$ <u>604</u>	\$ <u>696</u>

NOTE 14 - PERMANENT ENDOWMENT

The Organization previously entered into an agreement with the Community Foundation of Broward, Inc., a Florida non-profit corporation (the "Foundation") to create a designated fund to serve as a permanent endowment on behalf of the Organization. Distributions from the Fund will only be made with the approval and authorization of the Board of Trustees of the Foundation and the funds are the property of the Foundation. As such, they are not carried as an asset of the Organization. It is the general policy of the Foundation to make distributions to the Organization from the endowment at least once annually. The Organization took a distribution of \$ 165,297 and \$ 250,000 from the Foundation in 2012 and 2011, respectively. The ending asset value of the endowment at December 31, 2012 and 2011 was approximately \$ 1,028,500 and \$ 1,086,700, respectively.

SUPPLEMENTAL INFORMATION

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended December 31, 2012

<u>Grantor/Pass-through Grantor/Program/Project Title</u>	<u>CFDA/CSFA Number</u>	<u>Contract/ Agreement Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
Indirect Programs:			
United States Department of Health and Human Services - Passed through ChildNet, Inc. Foster Care - Title IV-E	93.658	SOS10RGC & SOS11RGC	\$ 752,942
Social Services Block Grant	93.667	SOS10RGC & SOS11RGC	<u>496,654</u>
Total expenditures of Federal awards			\$ <u><u>1,249,596</u></u>
STATE FINANCIAL ASSISTANCE			
Indirect Projects:			
Florida Department of Children and Families - Passed through ChildNet, Inc. Community Based Care Supports	60.094	SOS09RGC & SOS10RGC	\$ <u>519,314</u>
Total expenditures of State Financial Assistance			\$ <u><u>519,314</u></u>

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
For the Year Ended December 31, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the grant activity of the Organization and are presented on the accrual basis of accounting. The information in the Schedule of Expenditures of Federal Awards and State Financial Assistance is presented in accordance with the requirements of by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2 – CONTINGENCY

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable Federal and state laws and regulations.

COMPLIANCE AND INTERNAL CONTROLS



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*

To the Board of Directors
SOS Children's Village - Florida, Inc.
Coconut Creek, Florida

We have audited, in accordance with the 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 financial statements of SOS Children's Village - Florida, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. 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 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SOS Children's Village - Florida, Inc.'s 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 determination of financial statement amounts. 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.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
April 24, 2013



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors
SOS Children's Village - Florida, Inc.
Coconut Creek, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited SOS Children's Village - Florida, Inc. (a not-for-profit organization) (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Circular A-133 Compliance Supplement*, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of the Organization's major Federal programs and state projects for the year ended December 31, 2012. SOS Children's Village - Florida, Inc.'s major Federal program and state project are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible with the requirements of laws, regulations, contracts and grants applicable to its Federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of ABC Organization's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and/or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program and state project for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of SOS Children's Village - Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered SOS Children's Village - Florida, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major Federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major Federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SOS Children's Village - Florida, Inc.'s 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 and/or a state 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 and/or state 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 and/or state 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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 OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
April 24, 2013

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2012

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of SOS Children's Village - Florida, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of SOS Children's Village - Florida, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major Federal program or state project are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General.
5. The auditors' report on compliance for the major Federal program and state project for SOS Children's Village - Florida, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major Federal program and state project for SOS Children's Village - Florida, Inc. are reported in Part C of this schedule.
7. The programs tested as a major program/project include the following:

Federal Program	Federal CFDA No.
United States Department of Health and Human Services: Social Services Block Grant	93.667
State Project	
Florida Department of Children and Families: Community Based Care Supports	60.094
8. The threshold for distinguishing Types A and B programs was \$ 300,000 for major Federal awards programs and \$ 155,794 for major state projects.
9. SOS Children's Village - Florida, Inc. was determined to be a low-risk auditee pursuant to OMB Circular A-133.

SOS CHILDREN'S VILLAGE - FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)
For the Year Ended December 31, 2012

B. FINDINGS - FINANCIAL STATEMENT AUDIT

No matters were reported.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT AUDITS

No matters were reported.

D. OTHER ISSUES

1. A separate management letter was not issued because there were no findings required to be reported in the management letter.
2. No summary schedule of prior audit findings and questioned costs is required because there were no prior audit findings and questioned costs related to Federal programs or state projects.
3. No corrective action plan is required because there were no findings reported under OMB Circular A-133 or the Florida Single Audit Act.