

KIDS IN DISTRESS, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

June 30, 2014

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AND SUPPLEMENTARY INFORMATION

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# FALKINS & COMPANY

PROFESSIONAL ASSOCIATION

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## INDEPENDENT AUDITORS' REPORT

Boards of Directors  
Kids In Distress, Inc.

We have audited the accompanying consolidated financial statements of Kids In Distress, Inc., (a nonprofit organization) and its affiliates (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2014, 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.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kids In Distress, Inc. and its affiliates as of June 30, 2014, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited the Kids In Distress, Inc.'s June 30, 2013 consolidated financial statements, and we expressed an unmodified opinion on those consolidated financial statements in our report dated October 16, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying Supplementary Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance with Notes, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of Florida Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis 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 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 consolidated financial statements taken as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 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 the Organization's internal control over financial reporting and compliance.

  
FALKINS & COMPANY

October 14, 2014

KIDS IN DISTRESS, INC.  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
For the Year Ended June 30, 2014  
(With Comparative Totals for June 30, 2013)

ASSETS

	2014	2013
ASSETS:		
Cash	\$ 2,688,975	\$ 3,116,063
Investments	8,511,026	6,979,009
Grants and contracts receivable, net	1,223,764	806,655
Unconditional promises to give, net	1,722	1,139,242
Prepaid expenses	147,587	172,723
Other assets	151,710	325,718
Land, buildings, and equipment, net	8,893,275	9,409,358
Assets restricted for endowment purposes, net	12,500	12,500
Total assets	\$ 21,630,559	\$ 21,961,268

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable and accrued expenses	\$ 546,505	\$ 416,976
Debt	82,750	99,300
Total liabilities	629,255	516,276
COMMITMENTS		
NET ASSETS:		
Unrestricted	20,751,851	21,320,781
Temporarily restricted	236,953	111,711
Permanently restricted	12,500	12,500
Total net assets	21,001,304	21,444,992
Total liabilities and net assets	\$ 21,630,559	\$ 21,961,268

See accompanying notes to consolidated financial statements

KIDS IN DISTRESS, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014  
(With Comparative Totals for the Year Ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2014	Totals 2013
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>					
Community Support:					
Contributions	\$ 1,561,221	\$ 401,281	\$ -	\$ 1,962,502	\$ 2,185,739
In-kind contributions	228,416	-	-	228,416	818,029
	<u>1,789,637</u>	<u>401,281</u>	<u>-</u>	<u>2,190,918</u>	<u>3,003,768</u>
Governmental grants and contracts	6,909,983	-	-	6,909,983	5,626,607
Medicaid/HMO revenue	551,644	-	-	551,644	887,302
Client fees	173,565	-	-	173,565	113,229
Rental and other earned income	389,909	-	-	389,909	670,271
Other revenues	65,542	-	-	65,542	19,237
Investment income net of investment expenses of \$27,080 for 2014 and \$26,839 for 2013	174,493	-	-	174,493	187,053
Gain on sale of securities	19,146	-	-	19,146	310,564
Unrealized gain on investments	976,071	-	-	976,071	186,814
Net assets released from restrictions:					
Provisions for losses on restricted promises to give	(1,125)	1,125	-	-	-
Restrictions satisfied by payments	277,164	(277,164)	-	-	-
Total revenues, gains, and other support	<u>11,326,029</u>	<u>125,242</u>	<u>-</u>	<u>11,451,271</u>	<u>11,004,845</u>
<b>EXPENSES AND LOSSES:</b>					
Program Services:					
Abuse/Neglect Prevention	3,413,896	-	-	3,413,896	3,672,377
Adoption	167,345	-	-	167,345	-
Childhood Education	953,377	-	-	953,377	814,083
Family Counseling	1,489,854	-	-	1,489,854	1,607,969
Maternal & Child Health	411,335	-	-	411,335	-
Mentoring	31,408	-	-	31,408	-
Residential	78,536	-	-	78,536	886,268
Supportive Foster Care	1,095,624	-	-	1,095,624	1,215,843
Supportive Housing	1,046,573	-	-	1,046,573	221,198
General Programs incl. Facilities	221,563	-	-	221,563	705,246
	<u>8,909,511</u>	<u>-</u>	<u>-</u>	<u>8,909,511</u>	<u>9,122,984</u>
Supporting Services:					
General and Administrative	1,045,696	-	-	1,045,696	1,039,850
Marketing and Development	838,752	-	-	838,752	868,174
Total expenses	<u>10,793,959</u>	<u>-</u>	<u>-</u>	<u>10,793,959</u>	<u>11,031,008</u>
Other Items:					
Write down in promise to give	1,101,000	-	-	1,101,000	-
Loss on settlement of permanent endowment	-	-	-	-	340,000
Total expenses and losses	<u>11,894,959</u>	<u>-</u>	<u>-</u>	<u>11,894,959</u>	<u>11,371,008</u>
CHANGE IN NET ASSETS	(568,930)	125,242	-	(443,688)	(366,163)
NET ASSETS, beginning of year	21,320,781	111,711	12,500	21,444,992	21,811,155
Transfer of net assets	-	-	-	-	-
NET ASSETS, end of year	<u>\$ 20,751,851</u>	<u>\$ 236,953</u>	<u>\$ 12,500</u>	<u>\$ 21,001,304</u>	<u>\$ 21,444,992</u>

See accompanying notes to consolidated financial statements

KIDS IN DISTRESS, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2014  
(With Comparative Totals for the Year Ended June 30, 2013)

	<u>Supporting Services</u>			<u>Totals 2014</u>	<u>Totals 2013</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Marketing and Development</u>		
Salaries and wages	\$ 4,428,973	\$ 587,576	\$ 288,860	\$ 5,305,409	\$ 5,560,794
Payroll taxes and benefits	971,804	97,460	53,123	1,122,387	1,161,337
	<u>5,400,777</u>	<u>685,036</u>	<u>341,983</u>	<u>6,427,796</u>	<u>6,722,131</u>
Bad debt expense	5,000	2,722	10,940	18,662	87,908
Building maintenance and janitorial supplies	60,856	31,479	4,441	96,776	98,636
Client related expenses	327,068	-	-	327,068	227,496
Depreciation	451,932	57,576	34,656	544,164	570,021
Equipment maintenance	99,075	13,615	9,129	121,819	139,057
Event expenses	9,503	-	101,693	111,196	87,109
Food and classroom supplies	55,340	533	100	55,973	78,232
Insurance	322,528	54,393	11,648	388,569	364,108
Loss on disposal of equipment	-	-	-	-	14,153
Marketing, promotions, and community relations	3,470	2,492	28,106	34,068	35,306
Membership, publications, and licenses	44,877	6,443	2,407	53,727	57,317
Miscellaneous	4,163	-	9,926	14,089	23,142
Office, printing, and software	76,263	12,984	6,290	95,537	91,817
Postage and direct mail	5,997	2,108	17,182	25,287	38,111
Professional fees, contractors, and consultants	1,130,042	64,981	83,285	1,278,308	947,861
Rent and Utilities	208,154	53,649	16,852	278,655	261,739
Staff recruitment and related expenses	131,679	27,147	3,189	162,015	115,233
Telecommunications	126,369	22,056	8,455	156,880	123,584
Training and conferences	35,394	4,301	8,169	47,864	16,635
Vehicle and mileage expense	195,586	4,181	1,648	201,415	220,428
In-kind expense	215,438	-	138,653	354,091	710,984
	<u>\$ 8,909,511</u>	<u>\$ 1,045,696</u>	<u>\$ 838,752</u>	<u>\$ 10,793,959</u>	<u>\$ 11,031,008</u>

See accompanying notes to consolidated financial statements

KIDS IN DISTRESS, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2014  
(With Comparative Totals for the Year Ended June 30, 2013)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (443,688)	\$ (366,163)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	544,164	570,021
Bad debt expense and write down in promise to give	1,119,662	87,908
Amortization of discount on unconditional promises to give	-	3,000
Unrealized and realized gains on investments	(995,217)	(497,408)
Loss on settlement of permanent endowment	-	340,000
(Gain) loss on disposal of property and equipment	(22,000)	14,153
(Increase) decrease in assets:		
Grants and contracts receivable	(417,109)	(115,105)
Other receivables	-	(42,036)
Unconditional promises to give	17,858	549,124
Prepaid expenses and other assets	199,144	(129,518)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	129,529	(210,082)
Net cash provided by operating activities	132,343	203,894
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of land, buildings, and equipment	(28,081)	(26,033)
Proceeds from sales of investments	613,452	6,966,638
Proceeds from sales of land, buildings, and equipment	22,000	-
Purchases of investments	(1,150,252)	(6,745,936)
Net cash provided by (used in) investing activities	(542,881)	194,669
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Forgiveness of debt	(16,550)	(16,550)
Loss on settlement of permanent endowment	-	(340,000)
Net cash used in financing activities	(16,550)	(356,550)
<b>NET INCREASE (DECREASE) IN CASH</b>	(427,088)	42,013
CASH, beginning of year	3,116,063	3,074,050
CASH, end of year	\$ 2,688,975	\$ 3,116,063

See accompanying notes to consolidated financial statements



KIDS IN DISTRESS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014  
(With Comparative Totals for the Year Ended June 30, 2013)

**Note 1 - Nature of Activities and Summary of Significant Accounting Policies**

The following is the nature of activities of Kids In Distress, Inc. and its affiliates (the "Organization"), and a summary of significant accounting policies followed by the Organization in the preparation of the accompanying financial statements.

Kids In Distress, Inc. ("KID") - KID is a nonprofit organization dedicated to the prevention of child abuse, the preservation of the family, and the care and treatment of abused and neglected children in South Florida through its various programs. KID is principally supported by contracts with ChildNet, Inc. (approximately 21% and 14% of revenues in 2014 and 2013, respectively), Children's Services Council of Broward County, Inc. (approximately 19% of revenues in 2014 and 2013) and other grants and contracts from governmental agencies, as well as contributions from members of the surrounding community (approximately 21% and 30% of revenues in 2014 and 2013, respectively). If a significant reduction in the level of support from governmental agencies were to occur, it could have a material effect on KID's activities.

Consolidated financial statements - These financial statements consolidate the accounts of Kids In Distress, Inc. and its affiliates, as described below. All inter-organization transactions and balances have been eliminated in consolidation.

Kids in Distress Foundation, Inc. (the "Foundation") - Kids in Distress Foundation, Inc. was formed to support KID by providing financial resources, operating and expanding facilities and equipment, and investing funds of KID under a management contract and lease between the two entities. The Foundation is included in consolidation because KID has both an economic interest in and control over the Foundation through a majority voting interest in the governing board of the Foundation.

Healthcare Solutions, LLC - Healthcare Solutions, LLC, a Florida Limited Liability Company was formed during the year ended June 30, 2010 to operate a dental and optometry program serving client children and their families. During the preceding year the program's administration was assumed by the dental and optometry departments of Nova Southeastern University ("NSU"), and KID leased its real property and equipment to NSU for these purposes, under an agreement for five years, which contains a renewal option.

Basis of presentation - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Financial Statement Presentation - The Organization is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments - The Organization estimates that the fair value of all financial instruments at June 30, 2014 and 2013 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Consolidated Statement of Financial Position.

Cash and Cash Equivalents – For purposes of reporting cash flows, the Organization considers any highly liquid instruments with an initial maturity of three months or less to be cash equivalents. The Organization maintains cash balances at a bank and brokerage firms located within the same geographic region, which may, at times, exceed federally insured limits. The Organization has not experienced any losses on such accounts and does not believe it is exposed to any significant risk with respect to cash and cash equivalents.

Investments – Investments in debt securities and marketable equity securities with readily determinable fair values are reported at their quoted fair market values. Equity securities without readily determinable fair values are stated at cost. Donated marketable securities are recorded as contributions at their estimated fair values at the date of receipt of the donation.

Receivables - Receivables primarily consist of grant and contract receivables from federal, state and local governmental agencies, and not-for-profit organizations, and are stated at estimated net realizable value. The Organization uses the allowance method to determine uncollectible receivables. The allowance is based upon management estimates of current economic factors and analysis of specific accounts.

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 benefit received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Land, Buildings, and Equipment – The Organization capitalizes, at cost, all material expenditures for land, buildings and equipment. Donated land, buildings, and equipment are capitalized at the approximate fair market value at the date of the gift. Depreciation is calculated using the straight-line method over useful lives of three to thirty years.

Impairment of long-lived assets – The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. No impairment of the Organization's long-lived assets has been recognized during the current fiscal year.

Donated Materials and Services – Donated equipment and materials are reflected as in-kind contributions at their estimated value when received. Such contributions are reported as increases in unrestricted net assets 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 land, buildings, and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated and acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The value of certain donated clothing and other supplies used in the Organization's programs have been estimated and are included in the Consolidated Statement of Activities under the caption "In-kind contributions". Also included under the same caption are donated vendor services, which are recorded at their estimated fair values. The Organization generally pays for services requiring specific expertise. However, a substantial number of volunteers have donated significant amounts of their time to the operations of the Organization and in its fund raising campaigns. The Organization benefits from more than 5,000 volunteer hours per year.

Support and revenues – The Organization is principally funded by grants and contracts from federal, state and local governmental agencies, and not-for-profit organizations. Grants and contracts generally provide reimbursement for allowable costs incurred. Revenue from cost reimbursement grants and contracts is recognized as eligible costs are incurred. Receivables are recorded to the extent costs have been incurred but not reimbursed by the granting agencies.

Contributions – Contributions received are recorded at fair value as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from restrictions.

**Program Costs** – The costs of providing the various programs and other activities have been detailed in the Consolidated Statement of Functional Expenses and summarized on a functional basis in the Consolidated Statement of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. Management and general expenses include those expenses that are not directly identifiable with any other specific function but to provide for the overall support and direction of the Organization.

**Income Taxes** – The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3). However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. Management has reviewed its tax status and determined that there are no significant uncertain tax positions. The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for 2013, 2012, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

**Reclassifications** – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**Note 2 – Unconditional Promises to Give**

Unconditional promises to give at June 30, 2014 and 2013 for KID consist of the following:

	2014	2013
Unrestricted	\$ 1,526,722	\$ 1,550,742
Restricted for future operations	-	12,500
Restricted to capital expenditures	-	-
Less valuation allowance	-	-
Gross unconditional promises to give	\$ 1,526,722	\$ 1,563,242
Gross unconditional promises to give are expected to be collected over the following periods:		
Receivable in less than one year	\$ 38,722	\$ 56,242
Receivable in one to five years	400,000	419,000
Receivable in more than five years	1,088,000	1,088,000
Gross unconditional promises to give	1,526,722	1,563,242
Less discounts to net present value	(387,000)	(387,000)
Less allowance for uncollectible promises to give	(1,138,000)	(37,000)
Unconditional promises to give, net	\$ 1,722	\$ 1,139,242

Promises to give which are expected to be collected beyond one year are recognized at fair value using present value techniques and have been discounted at rates ranging from 3.22% to 3.52% when the donor has made an unconditional promise to give to the Organization.

**Note 3 – Assets Restricted for Endowment Purposes**

The assets restricted for endowment purposes at June 30, 2014 and 2013 in the amount of \$12,500 consists of cash.

#### Note 4 – Fair Value Measurements

The Organization follows accounting standards relating to fair value measurements which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards relative to fair value measurements establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Level inputs, as defined by this guidance, are as follows:

<u>Level Input</u>	<u>Input Definitions</u>
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Fair value of actively traded debt and equity securities are based on quoted market prices. All of the Organization's investments consist of equities and other funds with readily determinable fair values (Level I). There were no assets subject to Level 2 or Level 3 fair value measurements at June 30, 2014 and 2013. The value of the brokerage accounts was \$8,511,026 and \$6,979,009 for June 30, 2014 and 2013, respectively. Cash held in the brokerage accounts amounted to \$158,011 and \$70,904 for June 30, 2014 and 2013, respectively, and are included in cash on the Consolidated Statement of Financial Position.

#### Note 5 – Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 2,574,091	\$ 2,574,091
Buildings	8,867,161	8,867,161
Building improvements	1,743,098	1,724,972
Furniture and equipment	1,835,563	1,825,608
Transportation equipment	172,034	255,800
	<u>15,191,947</u>	<u>15,247,632</u>
Less accumulated depreciation	<u>6,298,672</u>	<u>5,838,274</u>
	<u>\$ 8,893,275</u>	<u>\$ 9,409,358</u>

#### Note 6 – Debt

In a prior year, the Organization entered into a Consent to and Assignment of Agreement, non-interest bearing Promissory Note, and Mortgage with Broward County, Florida to purchase a building. The loan is to be forgiven over the term of the original loan, at the rate of 5% per year or \$16,550, as long as the Organization retains title to the property and complies with the terms and conditions of the Agreement. The loan is secured by a mortgage on the property.

**Note 7 – Governmental Grants and Contracts**

Governmental grants and contracts consist of the following:

	Term	Amount	Support	
			2014	2013
State of Florida Department of Children and Families JH318	07/01/12 - 06/30/13	100,000	\$ -	\$ 96,360
			-	96,360
Broward County, Children's Service Administration Division				
11-CP-CSA-8233-01	10/01/11 - 09/30/12	104,741	-	8,571
10-CP-CSA-8233-01	10/01/11 - 09/30/12	333,330	-	91,294
10-CP-CSA-8233-01	10/01/12 - 09/30/13	235,000	30,546	190,286
11-CP-CSA-8233-01	10/01/12 - 09/30/13	104,741	22,676	76,150
14-CP-CSA-8233-01	10/01/13 - 09/30/14	235,000	91,620	-
14-CP-CSA-8233-02	10/01/13 - 09/30/14	140,000	87,144	-
14-CP-HCS-8233-01	10/01/13 - 09/30/14	40,000	11,902	-
			243,888	366,301
Children's Services Council of Broward County				
KID 08-2216	10/01/11 - 08/31/12	313,295	-	70,635
KID 11-2218	10/01/11 - 09/30/12	489,013	-	113,294
KID 11-2210	10/01/11 - 09/30/12	1,086,654	-	278,843
KID 10-2219	10/01/11 - 09/30/12	400,000	-	82,536
KID 11-2210	10/01/12 - 09/30/13	1,086,654	234,577	813,531
KID 11-2210	10/01/13 - 09/30/14	1,086,654	728,593	-
KID 12-2211	10/01/12 - 09/30/13	169,455	79,351	84,873
KID 12-2211	10/01/13 - 09/30/14	166,565	132,046	-
KID 11-2218	10/01/12 - 09/30/13	489,013	123,971	354,818
KID 11-2218	10/01/13 - 09/30/14	489,013	328,196	-
KID 10-2219	10/01/12 - 09/30/13	434,000	124,390	307,725
KID 10-2219	10/01/13 - 09/30/14	564,000	416,396	-
OTHER	07/01/13 - 07/31/13	-	1,200	-
			2,168,720	2,106,255
Broward Regional Health Planning Council, Inc.				
Healthy Families Broward				
HFB11-12KID	07/01/12 - 09/30/12	66,203	-	66,190
CSC 12-13 KIDS	10/01/12 - 09/30/13	301,000	66,246	212,481
CSC 13-14 KIDS	10/01/13 - 09/30/14	301,000	216,853	-
			283,099	278,671
Broward Healthy Start Coalition, Inc.				
KIDSC12	07/01/12 - 06/30/13	385,910	-	386,721
KIDSCC13	07/01/13 - 06/30/14	385,910	381,210	-
			381,210	386,721

	Term	Amount	Support	
			2014	2013
Family Central, Inc. General Agreement	07/01/12 - 06/30/14	-	254,589	192,012
			<u>254,589</u>	<u>192,012</u>
ChildNet, Inc.				
KID-12-SHL	07/01/12 - 06/30/13	659,920	-	40,002
KID-12-VIS	07/01/12 - 06/30/13	43,475	-	43,475
KID-12-ADP	07/01/12 - 06/30/13	127,000	-	120,903
KID-12-CFS	07/01/12 - 06/30/13	670,454	-	589,139
KID-12-FHM	07/01/12 - 06/30/13	623,488	-	558,651
KID-POS	07/01/12 - 06/30/13	-	-	13,658
KID-POS	07/01/12 - 06/30/13	-	-	11,120
PKID-13-FHM	03/01/13 - 06/30/14	783,769	544,910	156,392
KID-FHM-13	07/01/13 - 06/30/14	723,103	802,374	-
KID-FFG-13	07/01/13 - 06/30/14	185,600	130,880	-
KID-ADP-13	07/01/13 - 06/30/14	127,000	120,654	-
KID-VIS-13	07/01/13 - 06/30/14	43,475	43,475	-
KID-CFS-13	07/01/13 - 06/30/14	697,000	714,713	-
KID-POS	07/01/13 - 06/30/14	-	2,960	-
			<u>2,359,966</u>	<u>1,533,340</u>
Palm Beach County Child and Family Connection				
RL-KID-13	07/01/12 - 02/29/13	485,339	-	323,559
RL-KID-13	07/01/12 - 02/29/13	97,068	-	14,560
RA-KID-13	07/01/12 - 02/29/13	-	-	76,966
			<u>-</u>	<u>415,085</u>
Department of Health and Human Services Administration for Children and Families				
90CA1791-01	09/30/12 - 09/29/13	850,000	327,815	251,862
90CA1791-02	09/30/13 - 09/29/14	970,000	765,120	-
			<u>1,092,935</u>	<u>251,862</u>
Broward Behavioral Health Coalition, Inc. 34323	07/01/13 - 06/30/14	143,976	124,151	-
			<u>124,151</u>	<u>-</u>
Broward County Board of Commissions	07/01/13 - 06/30/14	-	1,425	-
			<u>1,425</u>	<u>-</u>
Total governmental grants and contracts			<u>\$ 6,909,983</u>	<u>\$ 5,626,607</u>

#### Note 8 – Commitments

KID leases real property operating facilities from the Foundation under a lease agreement in the amount of \$436,000 and \$646,118 for 2014 and 2013, respectively. KID also leases certain equipment from the Foundation at an annual amount of \$152,000 and \$222,380 for 2014 and 2013 respectively. The effects of these transactions are eliminated in consolidation.

Effective July 1, 1998, KID entered into a management agreement with the Foundation, whereby KID provides investment administration, real estate management, professional fund raising, reporting, and other services to the Foundation for a monthly fee of \$4,000 for 2014 and 2013, which amounted to \$48,000 for June 30, 2014 and 2013. The effects of this agreement are eliminated in consolidation.

#### Note 9 – Contingencies

As described in Note 1 to the financial statements, the Organization has a long history of serving the South Florida community in matters involving abused and neglected children through its various programs. From time to time the Organization could be presented with claims contending damages to third parties associated with that service. The Organization currently has no pending lawsuits.

By terms of the Organization's grants and contracts, certain funding agencies reserve the right to examine records relating to cost reimbursements. In the event there is a determination of non-qualifying expenditures for which a reimbursement has been made, the funding agency may demand repayment. Management of the Organization does not anticipate any repayments will have to be made for grants or contracts terminated or in process as of June 30, 2014. Accordingly, no provision for liability has been made in the accompanying consolidated financial statements.

#### Note 10 – Restrictions On Net Assets

##### Temporarily Restricted Net Assets

Temporarily restricted net assets are available for subsequent years' activities in the amounts of \$236,593 and \$111,711 at June 30, 2014 and 2013, respectively.

##### Endowment Funds

Endowment net assets for the funds in the amount of \$12,500 are permanently restricted. There were no changes in endowment net assets during the year ended June 30, 2014.

#### Note 11 – Auxiliary

The Organizations' volunteer auxiliary is separately incorporated under the name Kids In Distress Auxiliary, Inc. (the "Auxiliary") with the express purpose of raising funds for the benefit of the Organization. None of the results of operations or accounts of the Auxiliary is included in the accompanying financial statements.

The Auxiliary made contributions to KID in the approximate amount of \$121,000 and \$171,000 during the years ended June 30, 2014 and 2013, respectively. These amounts are included in Community Support – Contributions on the Consolidated Statement of Activities.

**Note 12 – Retirement Plans**

KID sponsors a retirement savings plan, which qualifies under Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees, and matching contributions are made by the Organization for the first four percent of compensation deferred by participating employees. Plan expense for 2014 and 2013 was approximately \$115,000 and \$124,000, respectively.

KID previously adopted a Top Hat Deferred Compensation Plan, which qualifies under Section 457(b) of the Internal Revenue Code, for certain of its employees and independent contractors. The Organization may make contributions to the Plan; however, no amounts were contributed by KID in 2014.

**Note 13 – Matching Requirements**

Some grants require matching of amounts awarded with amounts contributed by other sources. All contractual matching requirements have been met.

**Note 14 – Subsequent Events**

Management has evaluated subsequent events through October 14, 2014, which is the date these financial statements were available to be issued.



KIDS IN DISTRESS, INC.  
SUPPLEMENTARY INFORMATION  
June 30, 2014

KIDS IN DISTRESS, INC.  
 SUPPLEMENTARY CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 AND STATE FINANCIAL ASSISTANCE WITH NOTES  
 For the Year Ended June 30, 2014

Federal/State Agency, Pass-Through Entity	CFDA CSEA Number	Federal Program/State Project	Contract Grant Number
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through ChildNet, Inc.	93.556	Promoting Safe and Stable Families	KID13FHM KID13CPS KID13ADP PKID13FHM
		Subtotal Promoting Safe and Stable Families	
Passed through ChildNet, Inc.	93.558	Temporary Assistance For Needy Families	KID13FHM PKID13FHM
Passed through Healthy Families Broward	93.558	Temporary Assistance For Needy Families	CSC12-13 KIDS CSC13-14 KIDS
		Subtotal Temporary Assistance for Needy Families	
Passed through ChildNet, Inc.	93.597	Grants to States for Access and Visitation Programs	KID13MIS
Passed through ChildNet, Inc.	93.645	Child Welfare Services	KID13FHM PKID13FHM
		Subtotal Child Welfare Services	
Passed through ChildNet, Inc.	93.658	Foster Care - Title IV E	KID13FHM PKID13FHM KID13FFG
		Subtotal Foster Care - Title IV E	
Passed through ChildNet, Inc.	93.659	Adoption Assistance	KID13FHM PKID13FHM
		Subtotal Adoption Assistance	
Passed through ChildNet, Inc.	93.667	Social Services Block Grant	KID13FFG
Passed through Department of Health and Human Services	93.670	Child Abuse and Neglect Discretionary Activities	90CA1791-01 90CA1791-02
		Subtotal Child Abuse and Neglect Discretionary Activities	
Passed through Broward Healthy Start Coalition	93.778	Medical Assistance Program	KIDSCC10R(3)
Passed through the State of Florida Department of Children and Families	93.958	Block Grants for Community Mental Health Services	34323
Passed through Broward Healthy Start Coalition	93.994	Maternal and Child Health Services Block Grant to the States	KIDSCC10R(3)

<u>Expenditures</u>	<u>Transfer to Subrecipients</u>
\$ 3,527	\$ -
714,713	-
120,654	-
2,616	-
<hr/>	<hr/>
841,510	-
<hr/>	<hr/>
106,659	-
79,101	-
66,246	-
216,853	-
<hr/>	<hr/>
468,859	-
<hr/>	<hr/>
43,475	-
<hr/>	<hr/>
27,862	-
20,646	-
<hr/>	<hr/>
48,508	-
<hr/>	<hr/>
205,499	-
149,037	-
59,978	-
<hr/>	<hr/>
414,514	-
<hr/>	<hr/>
82,928	-
60,360	-
<hr/>	<hr/>
143,288	-
<hr/>	<hr/>
39,274	-
<hr/>	<hr/>
327,815	-
765,120	-
<hr/>	<hr/>
1,092,935	-
<hr/>	<hr/>
166,854	-
<hr/>	<hr/>
28,555	-
<hr/>	<hr/>
30,380	-
<hr/>	<hr/>

KIDS IN DISTRESS, INC.  
 SUPPLEMENTARY CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
 FINANCIAL ASSISTANCE WITH NOTES  
 For the Year Ended June 30, 2014

<u>Federal/State Agency, Pass-Through Entity</u>	<u>CFDA CSFA Number</u>	<u>Federal Program/State Project</u>	<u>Contract Grant Number</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			
Passed through ChildNet, Inc.	60.094	Community-Based Care Supports	KID13FFG KID13FHM PKID13FHM
		Subtotal Community-Based Care Supports	
Passed through the State of Florida Department of Children and Families	60.048	Children's Mental Health Community Support Services	34323
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			

<u>Expenditures</u>	<u>Transfer to Subrecipients</u>
\$ 3,318,152	\$ -
\$ 31,628	\$ -
375,899	-
233,150	-
<u>640,677</u>	<u>-</u>
95,596	-
<u>\$ 736,273</u>	<u>\$ -</u>

NOTES TO SUPPLEMENTARY CONSOLIDATED SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2014

**Note 1 – Basis of Presentation**

The accompanying consolidated schedule of expenditures of federal awards and state financial assistance with notes includes the federal grant activity of Kids In Distress, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 – Governmental Grants and Contracts**

All governmental grant and contract revenue was expended during the year.

**Note 3 – Transfers to Subrecipients**

There were no transfers to subrecipients.

KIDS IN DISTRESS, INC.  
 SUPPLEMENTARY CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
 For the Year Ended June 30, 2014  
 (With Comparative Totals for the Year Ended June 30, 2013)

ASSETS

	Kids In Distress, Inc.	Kids In Distress Foundation, Inc.	Consolidating Adjustments	Consolidated Totals 2014	Consolidated Totals 2013
ASSETS:					
Cash	\$ 714,354	\$ 1,974,621	\$ -	\$ 2,688,975	\$ 3,116,063
Investments	-	8,511,026	-	8,511,026	6,979,009
Grants and contracts receivable, net	1,223,764	-	-	1,223,764	806,655
Other receivables, net	4,000	1,664,316	(1,668,316)	-	-
Unconditional promises to give, net	1,722	-	-	1,722	1,139,242
Prepaid expenses	123,847	23,740	-	147,587	172,723
Other assets	151,710	-	-	151,710	325,718
Land, buildings, and equipment, net	442,682	8,450,593	-	8,893,275	9,409,358
Assets restricted for endowment purposes, net	-	12,500	-	12,500	12,500
Total assets	<u>\$ 2,662,079</u>	<u>\$ 20,636,796</u>	<u>\$ (1,668,316)</u>	<u>\$ 21,630,559</u>	<u>\$ 21,961,268</u>

LIABILITIES AND NET ASSETS

LIABILITIES:					
Accounts payable and accrued expenses	\$ 2,197,583	\$ 17,238	\$ (1,668,316)	\$ 546,505	\$ 416,976
Debt	-	82,750	-	82,750	99,300
Total liabilities	<u>2,197,583</u>	<u>99,988</u>	<u>(1,668,316)</u>	<u>629,255</u>	<u>516,276</u>
COMMITMENTS					
NET ASSETS:					
Unrestricted	227,543	20,524,308	-	20,751,851	21,320,781
Temporarily restricted	236,953	-	-	236,953	111,711
Permanently restricted	-	12,500	-	12,500	12,500
Total net assets	<u>464,496</u>	<u>20,536,808</u>	<u>-</u>	<u>21,001,304</u>	<u>21,444,992</u>
Total liabilities and net assets	<u>\$ 2,662,079</u>	<u>\$ 20,636,796</u>	<u>\$ (1,668,316)</u>	<u>\$ 21,630,559</u>	<u>\$ 21,961,268</u>

KIDS IN DISTRESS, INC.  
SUPPLEMENTARY CONSOLIDATING STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014  
(With Comparative Totals for the Year Ended June 30, 2013)

	Kids In Distress, Inc.			Subtotals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>				
Community Support:				
Contributions	\$ 1,561,221	\$ 401,281	\$ -	\$ 1,962,502
In-kind contributions	228,416	-	-	228,416
	1,789,637	401,281	-	2,190,918
Governmental grants and contracts	6,909,983	-	-	6,909,983
Medicaid/HMO revenue	551,644	-	-	551,644
Client fees	173,565	-	-	173,565
Rental and other earned income	76,518	-	-	76,518
Other revenues	48,992	-	-	48,992
Investment income net of investment expenses of \$27,080 for 2014 and \$26,839 for 2013	144	-	-	144
Gain on sale of securities	-	-	-	-
Unrealized gain on investments	-	-	-	-
Net assets released from restrictions:				
Provisions for losses on restricted promises to give	(1,125)	1,125	-	-
Restrictions satisfied by payments	277,164	(277,164)	-	-
Total revenues, gains, and other support	<u>9,826,522</u>	<u>125,242</u>	<u>-</u>	<u>9,951,764</u>
<b>EXPENSES AND LOSSES:</b>				
Program Services:				
Abuse/Neglect Prevention	3,408,996	-	-	3,408,996
Adoption	167,079	-	-	167,079
Childhood Education	951,550	-	-	951,550
Family Counseling	1,487,861	-	-	1,487,861
Maternal & Child Health	410,671	-	-	410,671
Mentoring	31,341	-	-	31,341
Residential	78,370	-	-	78,370
Supportive Foster Care	1,093,747	-	-	1,093,747
Supportive Housing	1,045,875	-	-	1,045,875
General Programs incl. Facilities	220,217	-	-	220,217
	<u>8,895,707</u>	<u>-</u>	<u>-</u>	<u>8,895,707</u>
Supporting Services:				
General and Administrative	930,621	-	-	930,621
Marketing and Development	837,648	-	-	837,648
Total expenses	<u>10,663,976</u>	<u>-</u>	<u>-</u>	<u>10,663,976</u>
Other Items:				
Write down in promise to give	1,101,000	-	-	1,101,000
Loss on settlement of permanent endowment	-	-	-	-
Total expenses and losses	<u>11,764,976</u>	<u>-</u>	<u>-</u>	<u>11,764,976</u>
CHANGE IN NET ASSETS	(1,938,454)	125,242	-	(1,813,212)
NET ASSETS, beginning of year	2,165,997	111,711	-	2,277,708
Transfer of net assets	-	-	-	-
NET ASSETS, end of year	<u>\$ 227,543</u>	<u>\$ 236,953</u>	<u>\$ -</u>	<u>\$ 464,496</u>



Kids In Distress Foundation, Inc.

Unrestricted	Temporarily Restricted	Permanently Restricted	Subtotals	Consolidating Adjustments	Consolidated Totals 2014	Consolidated Totals 2013
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,962,502	\$ 2,185,739
-	-	-	-	-	228,416	818,029
-	-	-	-	-	2,190,918	3,003,768
-	-	-	-	-	6,909,983	5,626,607
-	-	-	-	-	551,644	887,302
-	-	-	-	-	173,565	113,229
949,391	-	-	949,391	(636,000)	389,909	670,271
16,550	-	-	16,550	-	65,542	19,237
174,349	-	-	174,349	-	174,493	187,053
19,146	-	-	19,146	-	19,146	310,564
976,071	-	-	976,071	-	976,071	186,814
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,135,507</u>	<u>-</u>	<u>-</u>	<u>2,135,507</u>	<u>(636,000)</u>	<u>11,451,271</u>	<u>11,004,845</u>
178,360	-	-	178,360	(173,460)	3,413,896	3,672,377
9,674	-	-	9,674	(9,408)	167,345	-
66,507	-	-	66,507	(64,680)	953,377	814,083
72,553	-	-	72,553	(70,560)	1,489,854	1,607,969
24,184	-	-	24,184	(23,520)	411,335	-
2,419	-	-	2,419	(2,352)	31,408	-
6,046	-	-	6,046	(5,880)	78,536	886,268
68,321	-	-	68,321	(66,444)	1,095,624	1,215,843
25,394	-	-	25,394	(24,696)	1,046,573	221,198
48,974	-	-	48,974	(47,628)	221,563	705,246
<u>502,432</u>	<u>-</u>	<u>-</u>	<u>502,432</u>	<u>(488,628)</u>	<u>8,909,511</u>	<u>9,122,984</u>
223,051	-	-	223,051	(107,976)	1,045,696	1,039,850
40,500	-	-	40,500	(39,396)	838,752	868,174
<u>765,983</u>	<u>-</u>	<u>-</u>	<u>765,983</u>	<u>(636,000)</u>	<u>10,793,959</u>	<u>11,031,008</u>
-	-	-	-	-	1,101,000	-
-	-	-	-	-	-	340,000
<u>765,983</u>	<u>-</u>	<u>-</u>	<u>765,983</u>	<u>(636,000)</u>	<u>11,894,959</u>	<u>11,371,008</u>
1,369,524	-	-	1,369,524	-	(443,688)	(366,163)
19,154,784	-	12,500	19,167,284	-	21,444,992	21,811,155
-	-	-	-	-	-	-
<u>\$ 20,524,308</u>	<u>\$ -</u>	<u>\$ 12,500</u>	<u>\$ 20,536,808</u>	<u>\$ -</u>	<u>\$ 21,001,304</u>	<u>\$ 21,444,992</u>

**KIDS IN DISTRESS, INC.**  
**SUPPLEMENTARY CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2014**  
**(With Comparative Totals for the Year Ended June 30, 2013)**

	Program Services											Supporting Services			Totals: 2014	Totals: 2013
	Abuse/Neglect Prevention	Adoption	Childhood Education	Family Counseling	Maternal & Child Health	Mentoring	Residential	Supportive Foster Care	Supportive Housing	General Program and Facilities	Subsidiaries	General and Administrative	Marketing and Development	Subsidiaries		
Kids In Distress, Inc.	\$ 1,517,584	\$ 98,023	\$ 491,943	\$ 843,553	\$ 215,911	\$ 22,403	\$ 27,091	\$ 528,519	\$ 259,249	\$ 430,851	\$ 4,436,501	\$ 603,332	\$ 203,333	\$ 868,685	\$ 3,207,186	\$ 5,568,794
Salaries and wages	336,481	24,032	114,472	176,457	47,484	4,504	5,844	107,751	64,988	89,791	971,804	97,421	53,123	150,544	1,122,348	1,161,337
Payroll taxes and benefits	184,815	7,232	41,242	85,817	25,312	517	517	110,969	27,895	(491,327)	(7,528)	23,527	7,528	3,528	1,122,348	1,161,337
Shared personal allocation	2,034,860	130,187	642,657	1,105,822	254,707	27,424	32,433	747,223	352,032	20,315	5,402,777	683,774	341,983	1,026,757	6,437,554	6,722,131
Bad debt expense	-	-	5,806	-	-	-	-	-	-	-	5,809	2,722	10,940	13,662	18,662	87,908
Building maintenance and janitorial supplies	15,295	1,054	9,430	8,918	2,552	52	3,957	8,054	3,218	8,316	160,896	6,234	4,441	18,675	71,531	88,626
Client related expenses	192,093	638	15,581	3,778	1,230	40	5,629	63,869	41,689	1,551	322,068	-	-	-	327,068	27,496
Depreciation	3,055	-	2,069	12,064	698	-	-	3,305	-	-	22,091	4,815	-	-	26,906	40,382
Equipment maintenance	50,608	2,217	16,030	30,377	9,261	158	383	17,375	11,070	15,207	152,786	20,209	13,460	33,669	186,465	285,159
Event expenses	1,745	-	42,671	6	86	281	7,298	9,540	153	560	9,503	533	101,693	101,693	111,196	86,809
Food and classroom supplies	313,019	5,993	39,062	59,642	20,458	1,759	-	39,476	32,171	10,972	323,528	19,549	11,648	633	55,973	78,232
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,197	355,560
Loss on disposal of equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,962
Marketing, premiums and community relations	315	-	1,634	-	-	-	-	156	135	1,230	3,470	2,492	28,106	30,598	34,068	35,366
Membership, publications and licenses	241	-	645	100	-	-	61	2,256	40,520	1,014	44,877	2,337	2,407	4,764	49,641	38,460
Miscellaneous	1,804	-	1,183	-	-	-	-	177	165	834	4,163	930	9,935	10,885	15,048	23,142
Offices, printing and software	16,946	675	2,198	11,446	2,711	123	2,967	10,136	14,824	10,137	76,263	9,861	6,299	16,151	97,414	91,817
Postage and direct mail	1,911	56	445	716	332	4	-	1,795	530	308	5,997	2,168	17,163	19,240	25,287	38,111
Professional fees, consultants and consultants	481,886	3,048	32,649	57,497	9,291	479	310	32,477	454,042	38,372	1,130,042	53,264	83,285	136,649	1,266,691	954,007
Rent and Utilities	185,315	10,598	62,693	103,475	32,382	642	16,614	65,157	40,689	32,105	570,470	73,096	46,064	119,070	689,540	883,979
Staff recruitment and related expenses	61,136	480	26,549	6,282	1,900	198	1,255	20,977	1,811	9,111	131,679	27,123	3,189	30,312	161,991	115,235
Telecommunications	41,999	2,282	9,642	21,489	2,368	148	2,616	21,579	8,455	10,891	126,569	12,042	8,455	20,497	146,866	123,584
Training and conferences	10,430	26	2,689	569	492	29	3,194	17,525	485	485	35,394	4,301	8,169	12,479	47,864	16,624
Vehicle and mileage expense	97,789	8,037	4,492	38,400	13,528	42	1,635	24,339	5,748	982	195,586	4,181	1,048	5,829	201,415	230,428
In-kind expense	99,255	7,452	22,231	27,235	39,381	-	2,200	20,336	20,481	8,817	215,438	-	138,653	138,653	354,091	710,982
Total expenses	3,408,296	167,079	951,550	1,487,861	410,671	31,341	79,370	1,993,747	1,045,875	220,217	8,892,707	910,621	837,648	1,768,269	10,663,976	11,206,951
Kids In Distress Foundation, Inc.	178,360	9,674	66,507	72,553	24,184	2,419	6,046	68,321	25,394	48,974	502,432	223,051	40,590	263,551	765,983	1,080,456
Totals	3,586,656	176,753	1,018,057	1,560,414	434,855	33,760	85,416	2,062,068	1,071,269	269,191	9,395,139	1,133,672	878,238	2,031,820	11,429,959	12,287,407
Consolidating adjustments	(173,660)	(9,488)	(64,680)	(70,560)	(23,420)	(2,352)	(5,880)	(66,444)	(34,690)	(47,628)	(688,628)	(107,976)	(39,296)	(147,372)	(656,000)	(216,499)
Total consolidated expenses	\$ 3,413,896	\$ 167,265	\$ 953,377	\$ 1,490,854	\$ 411,435	\$ 31,408	\$ 79,536	\$ 1,995,624	\$ 1,036,579	\$ 221,563	\$ 8,706,511	\$ 1,025,696	\$ 838,942	\$ 1,884,448	\$ 10,773,959	\$ 11,371,408

# FALKINS & COMPANY

PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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

Boards of Directors  
Kids In Distress, Inc.

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 Kids In Distress, Inc. and its affiliates (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2014, 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 October 14, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, 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. 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 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 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 Standard*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls 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.

  
FALKINS & COMPANY

October 14, 2014

# FALKINS & COMPANY

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## 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 STATE OF FLORIDA CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

Boards of Directors  
Kids In Distress, Inc.

### Report on Compliance for Each Major Federal Program and State Project

We have audited Kids In Distress, Inc. and its affiliates' (a nonprofit organization) (the "Organization") compliance with the types of compliance requirements described in the *OMB 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 June 30, 2014. The Organization's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance 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 the 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; and 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 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 Projects

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the Organization 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 of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state projects 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 the Organization'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 or 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 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 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 or significant deficiencies. 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.

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.

  
FALKINS & COMPANY

October 14, 2014

KIDS IN DISTRESS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS

A. SUMMARY OF AUDIT RESULTS

1. The auditors’ report expresses an unqualified opinion on the consolidated financial statements of Kids In Distress, Inc.
2. No material weaknesses or significant deficiencies were identified during the audit of the consolidated financial statements.
3. There were no issues of noncompliance material to the financial statements noted.
4. No material weaknesses or significant deficiencies were identified during the audit of Federal programs or State projects.
5. The auditors’ report on compliance with requirements applicable to the major Federal programs and State projects for Kids In Distress, Inc. expresses an unqualified opinion.
6. Our audit disclosed no findings required to be reported related to Federal programs under section 510(a) of OMB Circular A-133, or did our audit disclose any findings related to State projects required to be disclosed under Chapter 10.656 for nonprofit and for-profit organizations.
7. The programs/projects tested as major programs/projects included:

<u>Federal Program</u>	<u>CFDA Number</u>
Adoption Assistance	93.659
Child Abuse and Neglect Discretionary Activities	93.670
<u>State Project</u>	<u>CSFA Number</u>
Community Based Care (CBC) Supports	60.094

8. The threshold for distinguishing Types A and B programs/projects was \$300,000 for major Federal programs and \$300,000 for major State projects.
9. Kids In Distress, Inc. was determined to be a low-risk auditee pursuant to OMB Circular A-133.

SECTION II - FINDINGS – FINANCIAL STATEMENTS FINDINGS

None

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AND MAJOR STATE PROJECTS

None

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

None