

SOS CHILDREN'S VILLAGES - FLORIDA, INC.

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

December 31, 2014 and 2013

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of SOS Children's Villages - Florida, Inc. (a not-for-profit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2014 and 2013, 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.

Auditor's 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.

CPA's + Trusted Advisors

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the Organization as of December 31, 2014 and 2013, 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 March 19, 2015, 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, 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

Fort Lauderdale, Florida
March 19, 2015

FINANCIAL STATEMENTS

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

A S S E T S

	<u>2014</u>	<u>2013</u>
ASSETS:		
Cash and cash equivalents	\$ 138,101	\$ 187,265
Investments	5,829	186,566
Contracts and other receivables	183,964	215,633
Mortgage note receivable	-	101,962
Promise to give	15,063	127,045
Prepays and other assets	61,645	32,698
Property and equipment, less accumulated depreciation of \$ 3,285,797 and \$ 3,094,696, respectively	<u>1,422,687</u>	<u>1,577,777</u>
Total assets	\$ <u><u>1,827,289</u></u>	\$ <u><u>2,428,946</u></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	\$ 67,743	\$ 19,160
Accrued expenses	115,544	219,442
Debt	<u>185,301</u>	<u>184,631</u>
Total liabilities	<u>368,588</u>	<u>423,233</u>
NET ASSETS:		
Unrestricted	1,424,588	1,869,168
Temporarily restricted	<u>34,113</u>	<u>136,545</u>
Total net assets	<u>1,458,701</u>	<u>2,005,713</u>
Total liabilities and net assets	\$ <u><u>1,827,289</u></u>	\$ <u><u>2,428,946</u></u>

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

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2014 and 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>	<u>Total 2013</u>
CHANGE IN NET ASSETS:				
Public support:				
Contracts for client services	\$ 1,956,960	\$ -	\$ 1,956,960	\$ 1,725,903
Contributions, including in-kind donations of \$ 17,019 and \$ 24,490, respectively	1,023,919	-	1,023,919	1,245,971
Miscellaneous revenues	72,406	-	72,406	60,243
Special events	379,703	-	379,703	373,636
Net assets released from restriction	<u>102,432</u>	<u>(102,432)</u>	<u>-</u>	<u>-</u>
Total public support	<u>3,535,420</u>	<u>(102,432)</u>	<u>3,432,988</u>	<u>3,405,753</u>
Expenses:				
Program services	2,985,434	-	2,985,434	2,827,346
Supporting services:				
Fundraising	480,322	-	480,322	427,112
Management and general	<u>215,529</u>	<u>-</u>	<u>215,529</u>	<u>199,415</u>
Total expenses	<u>3,681,285</u>	<u>-</u>	<u>3,681,285</u>	<u>3,453,873</u>
<i>Increase (decrease) in revenues over expenses before other revenues (expenses):</i>	<i>(145,865)</i>	<i>(102,432)</i>	<i>(248,297)</i>	<i>(48,120)</i>
Other revenues (expenses):				
Unrealized gain on investments	443	-	443	18,633
Interest income	4,199	-	4,199	11,368
Gain (loss) on sale of equipment	1,050	-	1,050	(2,965)
Provision for uncollectible promises to give	(102,432)	-	(102,432)	-
Provision for depreciation - program	(181,374)	-	(181,374)	(158,436)
Provision for depreciation - support	<u>(20,601)</u>	<u>-</u>	<u>(20,601)</u>	<u>(17,996)</u>
Total other revenues (expenses)	<u>(298,715)</u>	<u>-</u>	<u>(298,715)</u>	<u>(149,396)</u>
Change in net assets	(444,580)	(102,432)	(547,012)	(197,516)
NET ASSETS, beginning of year	<u>1,869,168</u>	<u>136,545</u>	<u>2,005,713</u>	<u>2,203,229</u>
NET ASSETS, end of year	<u>\$ 1,424,588</u>	<u>\$ 34,113</u>	<u>\$ 1,458,701</u>	<u>\$ 2,005,713</u>

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

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

		Supporting Services			
	Program Services	Fund- Raising	Management and General	Total Supporting Services	Total 2014
PERSONNEL COSTS:					
Salaries	\$ 1,666,154	\$ 195,315	\$ 131,539	\$ 326,854	\$ 1,993,008
Taxes and benefits	344,738	40,412	27,216	67,628	412,366
Other personnel costs	27,091	3,176	2,139	5,315	32,406
Total personnel costs	<u>2,037,983</u>	<u>238,903</u>	<u>160,894</u>	<u>399,797</u>	<u>2,437,780</u>
OTHER EXPENSES:					
Home expenses	299,621	-	37	37	299,658
Fundraising and development	-	186,444	-	186,444	186,444
Children's services	146,134	-	-	-	146,134
Vehicle expenses	135,153	3,686	662	4,348	139,501
General office expenses	51,724	39,379	22,166	61,545	113,269
Insurance	106,248	1,107	3,320	4,427	110,675
Maintenance service and supplies	97,539	-	202	202	97,741
Electric and water	72,092	4,155	4,914	9,069	81,161
Professional fees	25,420	1,238	15,926	17,164	42,584
Interest expense and bank fees	13,438	5,288	5,813	11,101	24,539
Board of directors expenses	82	122	1,595	1,717	1,799
Total other expenses	<u>947,451</u>	<u>241,419</u>	<u>54,635</u>	<u>296,054</u>	<u>1,243,505</u>
Total personnel costs and other expenses	2,985,434	480,322	215,529	695,851	3,681,285
Provision for depreciation	<u>181,374</u>	<u>-</u>	<u>20,601</u>	<u>20,601</u>	<u>201,975</u>
Total expenses	<u>\$ 3,166,808</u>	<u>\$ 480,322</u>	<u>\$ 236,131</u>	<u>\$ 716,452</u>	<u>\$ 3,883,260</u>

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

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

		Supporting Services			
	Program Services	Fund- Raising	Management and General	Total Supporting Services	Total 2013
PERSONNEL COSTS:					
Salaries	\$ 1,569,577	\$ 183,993	\$ 123,914	\$ 307,907	\$ 1,877,484
Taxes and benefits	311,404	36,504	24,585	61,089	372,493
Other personnel costs	32,475	3,807	2,564	6,371	38,846
	<u>1,913,456</u>	<u>224,304</u>	<u>151,063</u>	<u>375,367</u>	<u>2,288,823</u>
Total personnel costs					
OTHER EXPENSES:					
Home expenses	274,599	-	17,751	17,751	292,350
Fundraising and development	-	163,450	-	163,450	163,450
Insurance	138,016	1,148	4,269	5,417	143,433
Children's services	141,196	-	-	-	141,196
Vehicle expenses	134,386	3,684	-	3,684	138,070
Electric and water	74,986	4,041	4,041	8,082	83,068
General office expenses	43,967	24,346	6,297	30,643	74,610
Maintenance service and supplies	71,680	-	-	-	71,680
Professional fees	24,874	2,500	9,261	11,761	36,635
Interest expense and bank fees	10,186	3,639	5,721	9,360	19,546
Board of directors expenses	-	-	1,012	1,012	1,012
	<u>913,890</u>	<u>202,808</u>	<u>48,352</u>	<u>251,160</u>	<u>1,165,050</u>
Total other expenses					
Total personnel costs and other expenses	2,827,346	427,112	199,415	626,527	3,453,873
Provision for depreciation	158,436	-	17,996	17,996	176,432
	<u>158,436</u>	<u>-</u>	<u>17,996</u>	<u>17,996</u>	<u>176,432</u>
Total expenses	\$ <u>2,985,782</u>	\$ <u>427,112</u>	\$ <u>217,411</u>	\$ <u>644,523</u>	\$ <u>3,630,305</u>

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

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (547,012)	\$ (197,516)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Provision for depreciation	201,975	176,432
Provision for uncollectible promises to give	102,432	-
Unrealized gains on investments	(443)	(18,633)
Gain (loss) on sale of equipment	(1,050)	2,965
Changes in assets and liabilities:		
(Increase) decrease in contracts and other receivables	31,669	107,450
(Increase) decrease in promises to give	9,550	(127,045)
(Increase) decrease in prepaids and other assets	(28,947)	(413)
Increase (decrease) in accounts payable	48,583	(18,003)
Increase (decrease) in accrued expenses	<u>(103,898)</u>	<u>1,419</u>
Net cash used in operating activities	<u>(287,141)</u>	<u>(73,344)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	181,180	349,082
Proceeds from sale of equipment	1,050	-
Cash receipts from mortgage receivable	101,962	1,561
Purchases of property and equipment	<u>(16,867)</u>	<u>(116,309)</u>
Net cash provided by investing activities	<u>267,325</u>	<u>234,334</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	50,000	150,401
Principal payments on debt	(29,348)	(13,061)
Payments on line of credit	<u>(50,000)</u>	<u>(176,176)</u>
Net cash used in financing activities	<u>(29,348)</u>	<u>(38,836)</u>
Net increase (decrease) in cash and cash equivalents	(49,164)	122,154
CASH AND CASH EQUIVALENTS, beginning of the year	<u>187,265</u>	<u>65,111</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u><u>138,101</u></u>	\$ <u><u>187,265</u></u>

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

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization had unconditional promises to give of \$ 15,063 and no conditional promises to give as of December 31, 2014. As of December 31, 2013, the Organization had unconditional promises to give of \$ 127,045 and no conditional promises to give.

Allowance for doubtful accounts:

Management periodically reviews the contract receivable balances and provides an allowance for accounts which may be uncollectible. At December 31, 2014 and 2013 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
Furniture and equipment	5-7 years
Automotive equipment	5 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.

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.

Functional expenses:

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

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 March 19, 2015, which is the date the financial statements were issued.

NOTE 3 - INVESTMENTS

At December 31, 2014 and 2013, investments by type, at fair value, were as follows:

	2014	2013
Corporate bond	\$ 5,000	\$ 5,000
Preferred stock	750	750
Money market funds/cash	79	33,413
Mutual funds	-	147,403
Total investments	<u>\$ 5,829</u>	<u>\$ 186,566</u>

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:

- 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.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 - ORGANIZATION AND OPERATIONS

SOS Children's Villages - 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 temporarily restricted net assets of \$ 34,113 and no permanently restricted net assets at December 31, 2014. The Organization had temporarily restricted net assets of \$ 136,545 and no permanently restricted net assets at December 31, 2013.

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 occasionally maintains cash balances at two financial institutions which may exceed Federally insured amounts. Amounts are maintained with what management believes to be quality financial institutions.

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 VILLAGES - FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 - INVESTMENTS (continued)

- 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, 2014 was as follows:

Investments in:	Level 1	Level 2	Level 3	Total 2014
Corporate bond	\$ 5,000	\$ -	\$ -	\$ 5,000
Preferred stock	750	-	-	750
Money market funds/cash	<u>79</u>	<u>-</u>	<u>-</u>	<u>79</u>
Total	\$ <u>5,829</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,829</u>

The fair value of investments by type at December 31, 2013 was as follows:

Investments in:	Level 1	Level 2	Level 3	Total 2013
Mutual funds	\$ 147,403	\$ -	\$ -	\$ 147,403
Money market funds/cash	33,413	-	-	33,413
Corporate bond	5,000	-	-	5,000
Preferred stock	<u>750</u>	<u>-</u>	<u>-</u>	<u>750</u>
Total	\$ <u>186,566</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>186,566</u>

For the valuation of mutual funds, money market funds/cash, corporate bond, and preferred stock at December 31, 2014 and 2013, 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 had mortgage note receivable of \$ 101,962 at December 31, 2013. The mortgage note was paid in full in December 2014. The mortgage note was amortized over 30 years and had an interest rate of 5.50%. Monthly installments of approximately \$ 600 commenced in January 2010 and payments were made over a five year period with a final balloon payment of approximately \$ 100,000 due that was due in December 2014.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 – PROMISES TO GIVE

The composition of unconditional promises to give is as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 13,100	\$ 81,600
Receivable in one to five years	<u>2,000</u>	<u>46,050</u>
Total unconditional promises to give	15,100	127,650
Less allowance for uncollectible promises	-	-
Less discounts to net present value at 1.25%	<u>(37)</u>	<u>(605)</u>
Net unconditional promises to give	\$ <u><u>15,063</u></u>	\$ <u><u>127,045</u></u>

Promises to give are expected to be fully collected in the year they are due and no allowance for uncollectible promises to give was recorded for the years ended December 31, 2014 and 2013. However during the year ended December 31, 2014, management has determined that \$ 102,432 of unconditional promises to give were deemed not collectible and written off.

NOTE 6 - 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. As of December 31, 2014 and 2013, the Organization had no amounts required to be returned as a result of such audits.

NOTE 7 - 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 year ended December 31, 2014, the Organization did not record any such services in connection with certain programs. For the year ended December 31, 2013, the Organization recorded \$ 600 in such services in connection with certain program services.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 7 - DONATED GOODS AND SERVICES (continued)

For the years ended December 31, 2014 and 2013, the Organization received donated goods totaling \$ 17,019 and \$ 23,890, respectively, in connection with its program services and fund raising activities, which were recorded at their fair value.

NOTE 8 - PROPERTY AND EQUIPMENT

The following is a schedule of property and equipment at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 3,880,911	\$ 3,866,493
Furniture and equipment	316,622	295,029
Automotive equipment	223,119	223,119
	<u>4,420,652</u>	<u>4,384,641</u>
Less accumulated depreciation	3,285,797	3,094,696
	<u>1,134,855</u>	<u>1,289,945</u>
Land	287,832	287,832
	<u>\$ 1,422,687</u>	<u>\$ 1,577,777</u>

NOTE 9 - 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 10 - 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 2014 or 2013. 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. For the years ended December 31, 2014, 2013, and 2012, the Organization received direct funding from SOS-USA totaling \$ 62,388, \$ 5,136, and \$ 16,376, respectively.

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

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 11 - DEBT

Debt at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
The lease agreement for vehicles that was classified as a capital lease. This lease requires monthly payments of \$ 2,126, plus interest at approximately 18% through July 2018. The cost of the vehicles under this capital lease is \$ 223,119 with accumulated depreciation of the leased vehicles at December 31, 2014 and 2013 of \$ 63,217 and \$ 18,593, respectively.	\$ 157,096	\$ 182,602
The Organization entered into a lease agreement for furniture that was classified as a capital lease. The lease requires monthly payments of \$ 626, including interest at 9.5% through July 2019. The cost of the furniture under this capital lease is \$ 30,018 with accumulated depreciation of the furniture at December 31, 2014 of \$ 1,501.	28,205	--
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 \$ 2,000 (2013).	<u>--</u>	<u>2,029</u>
	<u>\$ 185,301</u>	<u>\$ 184,631</u>

Future debt principal payments are approximately as follows:

<u>Year Ending December 31,</u>	<u>2014</u>	<u>2013</u>
2014	\$ -	\$ 27,500
2015	\$ 31,000	\$ 25,500
2016	\$ 31,100	\$ 25,500
2017	\$ 31,600	\$ 25,500
2018	\$ 87,400	\$ 80,600
2019	\$ 4,200	\$ -
	<u>\$ 185,300</u>	<u>\$ 184,600</u>

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 12 – LINE OF CREDIT

At December 31, 2014, and 2013 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 3.75% (3.75% at December 31, 2014). The credit line is collateralized by all inventory, unencumbered equipment, general intangibles and fixtures and is due on demand. At December 31, 2014, and 2013 this credit line facility had no outstanding balance.

NOTE 13 - 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, 2014 and 2013, was approximately \$ 43,300 and \$ 51,500, respectively.

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of promises to give (Note 5) restricted for the capital campaign (Note 17) amounting to \$ 15,063 at December 31, 2014 and \$127,045 at December 31, 2013. Additional donations received for the capital campaign for the years ended December 31, 2014 and 2013, amounted to \$ 19,050 and \$ 9,500, respectively.

NOTE 15 - 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 \$ 56,025 and \$ 60,396 from the Foundation in 2014 and 2013, respectively. The ending asset value of the endowment at December 31, 2014 and 2013 was approximately \$ 1,069,800 and \$ 1,106,200, respectively.

NOTE 16 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Cash Flow Information:

	<u>2014</u>	<u>2013</u>
Cash received during the year for - Interest income	\$ <u>4,199</u>	\$ <u>11,368</u>
Cash paid during the year for - Interest expense	\$ <u>9,736</u>	\$ <u>4,945</u>

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 16 - SUPPLEMENTAL CASH FLOW INFORMATION (continued)

Noncash investing activities -

Acquisition of property and equipment -		
Cost of property and equipment	\$ 46,885	\$ 309,538
Less property and equipment financing	<u>(30,018)</u>	<u>(193,229)</u>
Cash paid for property and equipment	\$ <u>16,867</u>	\$ <u>116,309</u>

NOTE 17 – CAPITAL CAMPAIGN

During the year ended December 31, 2013, the board members approved a capital campaign (Note 14). As of December 31, 2014 and 2013, total pledges amounted to \$ 34,113 and \$ 136,545, respectively, of which \$ 15,063 and \$ 127,045, respectively were promises to give at year end. All such donations that were received for the campaign were pledges made by board members and individual donations. The Organization also plans to begin raising funds through public fundraising.

SUPPLEMENTAL INFORMATION

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended December 31, 2014

<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	SOS13RGC	\$ 802,354
Social Services Block Grant	93.667	SOS13RGC	<u>684,936</u>
Total expenditures of Federal awards			\$ <u><u>1,487,290</u></u>
STATE FINANCIAL ASSISTANCE			
Indirect Projects:			
Florida Department of Children and Families - Passed through ChildNet, Inc.			
Community Based Care Supports	60.094	SOS13RGC	\$ <u>469,670</u>
Total expenditures of state financial assistance			\$ <u><u>469,670</u></u>

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended December 31, 2014

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 AUDITOR'S 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 Villages - 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 Villages - Florida, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2014, 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 March 19, 2015.

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 the Organization'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

Fort Lauderdale, Florida
March 19, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited SOS Children's Villages - 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*, that could have a direct and material effect on the Organization's major Federal program for the year ended December 31, 2014. SOS Children's Villages - Florida, Inc.'s major Federal program is identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major Federal program 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*. Those standards and OMB Circular A-133 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 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. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

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 for the year ended December 31, 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, we considered the Organization'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, 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 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 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. Accordingly, this report is not suitable for any other purpose.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 19, 2015

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of SOS Children's Villages - Florida, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's 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 Villages - 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 Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major Federal program for SOS Children's Villages - Florida, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major Federal program for SOS Children's Villages - Florida, Inc. are reported in Part C of this schedule.
7. The program tested as a major program is as follows:

Federal Program

Federal CFDA No.

United States Department
of Health and Human Services:
Social Services Block Grant

93.667

8. The threshold for distinguishing Types A and B programs was \$ 300,000 for major Federal awards programs.
9. SOS Children's Villages - Florida, Inc. was determined to be a low-risk auditee pursuant to OMB Circular A-133.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)
For the Year Ended December 31, 2014

B. FINDINGS - FINANCIAL STATEMENT AUDIT

No matters were reported.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM

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.