

**TAKE STOCK IN CHILDREN, INC.**

**FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

December 31, 2013

TAKE STOCK IN CHILDREN, INC.  
FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
December 31, 2013

TABLE OF CONTENTS

PAGES

FINANCIAL STATEMENTS

Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-16

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards and State Financial Assistance	17
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	18

INTERNAL CONTROLS AND COMPLIANCE

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 <i>Government Auditing Standards</i>	19-20
Independent Auditor's Report on Compliance For Each Major Federal Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General	21-22
Schedule of Findings and Questioned Costs	23-24

# FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Take Stock in Children, Inc.  
Miami, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Take Stock in Children, Inc., (a nonprofit organization) (the "Organization"), which comprise of the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year 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 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 from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Organization as of December 31, 2013, 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.

## **Other Matters**

### *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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Florida Single Audit Act, is presented for purposes of additional analysis 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 as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 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.

KEEFE McCULLOUGH

Fort Lauderdale, Florida  
July 25, 2014

TAKE STOCK IN CHILDREN, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2013

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 1,005,776	\$ 752,243	\$ -	\$ 1,758,019
Investments	42,592	141,898	-	184,490
Promise to give	-	200,000	-	200,000
Due from State of Florida, Department of Education	1,327,326	-	-	1,327,326
Other grants and receivables	393,856	-	-	393,856
Total current assets	2,769,550	1,094,141	-	3,863,691
Noncurrent assets:				
Promise to give, net	-	195,866	-	195,866
Investments	183,054	-	1,000,000	1,183,054
Prepaid tuition	4,239,723	-	-	4,239,723
Property and equipment, net	514,491	-	-	514,491
Other assets	10,961	-	-	10,961
Total noncurrent assets	4,948,229	195,866	1,000,000	6,144,095
Total assets	\$ 7,717,779	\$ 1,290,007	\$ 1,000,000	\$ 10,007,786

LIABILITIES AND NET ASSETS

LIABILITIES:				
Current liabilities:				
Accounts payable and accrued expenses	\$ 265,288	\$ -	\$ -	\$ 265,288
Amounts due to subrecipients	1,616,360	-	-	1,616,360
Deferred revenue	162,993	-	-	162,993
Total liabilities	2,044,641	-	-	2,044,641
COMMITMENTS AND CONTINGENCIES (NOTES 10 AND 11)				
	-	-	-	-
NET ASSETS:				
Unrestricted	5,673,138	-	-	5,673,138
Temporarily restricted	-	1,290,007	-	1,290,007
Permanently restricted	-	-	1,000,000	1,000,000
Total net assets	5,673,138	1,290,007	1,000,000	7,963,145
Total liabilities and net assets	\$ 7,717,779	\$ 1,290,007	\$ 1,000,000	\$ 10,007,786

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

TAKE STOCK IN CHILDREN, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CHANGE IN NET ASSETS:				
Public support and revenues:				
Grants from the State of Florida	\$ 5,838,105	\$ -	\$ -	\$ 5,838,105
Federal government grants	1,479,470	-	-	1,479,470
Contributions from private sources	429,986	551,253	-	981,239
Donated goods, facilities, services and scholarships	517,052	-	-	517,052
Local grants	453,286	-	-	453,286
Investment income	150,454	-	-	150,454
Special events	95,323	-	-	95,323
	<u>8,963,676</u>	<u>551,253</u>	<u>-</u>	<u>9,514,929</u>
Total public support and revenues				
Net assets released from restrictions:				
Satisfaction of purpose restrictions	<u>212,298</u>	<u>(212,298)</u>	<u>-</u>	<u>-</u>
Total net assets released from restrictions				
	<u>212,298</u>	<u>(212,298)</u>	<u>-</u>	<u>-</u>
Total public support, revenues and net assets released from restrictions				
	<u>9,175,974</u>	<u>338,955</u>	<u>-</u>	<u>9,514,929</u>
Expenses:				
Program services:				
Scholarship and mentoring programs	<u>8,413,142</u>	<u>-</u>	<u>-</u>	<u>8,413,142</u>
Supporting services:				
Management and administration	463,199	-	-	463,199
Fundraising	402,733	-	-	402,733
	<u>865,932</u>	<u>-</u>	<u>-</u>	<u>865,932</u>
Total supporting services				
	<u>9,279,074</u>	<u>-</u>	<u>-</u>	<u>9,279,074</u>
Total expenses				
	<u>9,279,074</u>	<u>-</u>	<u>-</u>	<u>9,279,074</u>
Change in net assets				
	(103,100)	338,955	-	235,855
NET ASSETS, beginning of the year				
	<u>5,776,238</u>	<u>951,052</u>	<u>1,000,000</u>	<u>7,727,290</u>
NET ASSETS, end of the year				
	<u>\$ 5,673,138</u>	<u>\$ 1,290,007</u>	<u>\$ 1,000,000</u>	<u>\$ 7,963,145</u>

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

TAKE STOCK IN CHILDREN, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2013

	Scholarship and Mentoring Programs	Supporting Services		Total
		Management and Administration	Fundraising	
Mentoring and advocacy	\$ 4,980,823	\$ -	\$ -	\$ 4,980,823
Salaries, payroll taxes and benefits	1,477,857	269,010	153,266	1,900,133
Professional services	836,826	16,278	119,033	972,137
Scholarships	470,209	-	-	470,209
Office and other expenses	258,403	116,997	61,196	436,596
Marketing and donor development	132,862	-	40,320	173,182
Travel and conferences	102,385	27,495	24,241	154,121
Provision for depreciation and amortization	85,628	8,383	4,278	98,289
Occupancy	59,637	13,200	-	72,837
Insurance	8,512	11,836	399	20,747
	<u>\$ 8,413,142</u>	<u>\$ 463,199</u>	<u>\$ 402,733</u>	<u>\$ 9,279,074</u>

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

TAKE STOCK IN CHILDREN, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 235,855
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Provision for depreciation and amortization	98,289
Contributed investments	(40,558)
Realized and unrealized (gain) on investments, net	(165,500)
Contributed scholarships	(438,345)
Changes in assets and liabilities:	
Increase in promise to give, net	(148,342)
Increase in due from State of Florida, Department of Education	(738,105)
Increase in other grants and receivables	(8,509)
Decrease in prepaid tuition	214,636
Decrease in other assets	25,456
Increase in accounts payable and accrued expenses	84,561
Increase in amounts due to subrecipients	941,583
Increase in deferred revenue	95,482
	<u>156,503</u>
Net cash provided by operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales of investments, net	557,168
Purchases of property and equipment	<u>(160,655)</u>
Net cash provided by investing activities	<u>396,513</u>
Net increase in cash and cash equivalents	553,016
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,205,003</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u><u>1,758,019</u></u>

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

TAKE STOCK IN CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Take Stock in Children, Inc. (the "Organization") is an independent nonprofit corporation incorporated in the State of Florida on August 28, 1995. The primary purpose of the Organization is to provide post-secondary scholarships, volunteer mentors, and college and career ready program services to deserving low-income children beginning in middle school through high school graduation and into college. To achieve its purpose, the Organization has established direct management control of or has entered into program agreements with (42) programs covering sixty-seven (67) Florida counties, in order to build a network of regional and statewide partners that provide scholarship funds, volunteer mentors and programmatic services, as well as advocate awareness. The Organization's fundraising efforts are concentrated in the State of Florida.

A summary of the Organization's significant accounting policies are as follows:

Basis of accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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.

Net assets:

The Organization is required, under the Financial Accounting Standards Board in its Accounting Standard Codification (ASC) No. 958, *Not-for-Profit Entities*, 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, which are defined as follows:

Unrestricted net assets – net assets available without restrictions imposed by the donor.

Temporarily restricted net assets – net assets subject to timing and/or purpose restrictions imposed by the donor. The conditions of these restrictions are met by the passage of time or by actions taken by the Organization in compliance with donor stipulations.

Permanently restricted net assets – net assets subject to donor imposed restrictions that the Organization maintains the principal of the contributions in perpetuity.

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.

TAKE STOCK IN CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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 restrictions.

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. Collections on promises to give are current and management believes that no allowance for uncollectible promises to give is considered necessary.

Grant revenue:

Grant revenue is recognized when the allowable costs as defined by the individual grant are incurred and/or the unit of service has been provided. Grants receivable, including amounts due from Federal and state awarding agencies, at year end represent allowable expenditures and/or distributions of monies which have not yet been reimbursed by the granting agency.

Cash equivalents:

Cash equivalents consist principally of money market funds and amounts held for operations in interest bearing accounts with original maturities of three months or less.

Investments:

Investments in fixed income, exchange traded fund and common stock securities are stated at fair value based on quoted market prices. Pooled investments represent ownership of a portion of a pooled investment fund maintained at The Miami Foundation. The fund invests primarily in equity, fixed income securities and alternative investments, which are recorded at estimated market value based upon quoted prices in markets for identical assets and/or valuations provided by the external investment managers. Realized and unrealized gains and losses are included in the accompanying statement of activities and change in net assets.

Prepaid tuition:

The Organization participates in the Florida Prepaid College Foundation (the "Foundation") - Stanley Tate Project "Scholarship Tuition for At-Risk Students" (STARS) Scholarship Project whereby the Organization purchases scholarship plans and pays 50% of the scholarship plan contract price. The Foundation provides a matching amount of 50% of the remaining contract price. The scholarship plans are assigned by the Organization to eligible students, defined as designated beneficiaries, who meet the standards specified in the Organization scholarship program. These scholarships are assets of the Organization until such time that designated beneficiaries have exhausted tuition credit hours. The Organization accounts for tuition credit hours and recognizes the tuition expense based on credit hours used by the designated beneficiaries. The amounts recognized by the Organization as assets and expense are based on its 50% share of the scholarship plan contract price. In the event of cancellation or termination of scholarship plans, the Organization is entitled to a refund from the Foundation based on the Organization's share of the value of the unused tuition credit hours. The State of Florida previously passed legislation allowing for the repackaging of partially used scholarships into new scholarships at the current tuition plan value.

TAKE STOCK IN CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

During the year ended December 31, 2013, funds from the National Mortgage Settlement were made available to the Florida Prepaid College Foundation to purchase two-year dormitory residence advance payment contracts for eligible scholarships of students who were in grades tenth and eleventh during the 2012-2013 school year and that have been selected to participate in the scholarship program. The Organization's role is to be responsible for identifying scholarship recipients that demonstrate a high level of financial need, excelled in the Organization's program and have been accepted into the state University system. The two-year period commences for the matriculation year of 2014. None of the proceeds resulting from this settlement is under the stewardship of the Organization at any time during the year ended December 31, 2013, or in subsequent periods.

Property and equipment:

It is the Organization's policy to capitalize all purchases and donations of property and equipment with a value in excess of \$ 1,000. Property and equipment are carried at cost if purchased or, if donated, at fair value on the date of donation, less accumulated depreciation. Computer, software and other equipment is depreciated on a straight-line basis over the estimated useful lives ranging from three to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the underlying asset.

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. For the year ending December 31, 2013, the Organization received no donated property and equipment.

Maintenance and repairs to property and equipment are charged to expense when incurred. Additions and major renewals are capitalized. When assets are retired or otherwise disposed of, the cost or donated value and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statement of activities for the period.

Deferred revenue:

Deferred revenue represents the excess of contract receipts and billings over allowable contract expenses.

Donated goods, facilities, services and scholarships:

Donated services are recognized, at estimated fair value, as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased. Donated goods are recorded at their fair market value when received.

TAKE STOCK IN CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated supplies, utilities, facilities space and professional services are reflected in the accompanying financial statements at their estimated values at the date of receipt. The scholarship and mentoring programs mainly benefit from these contributions.

Donated scholarships represent scholarships primarily purchased by Miami Dade College and held in the name of the Organization for the benefit of selected students.

Functional allocation of expenses:

The costs of providing the Organization's programs and other activities have been presented on a functional basis in the accompanying financial statements. Accordingly, certain expenses, such as salaries, benefits and other administrative costs, have been allocated among the program and supporting service benefitted.

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.

Income taxes:

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (the IRC) and is therefore exempt from Federal income taxation under Section 501(a) of the IRC. No provision for income taxes was recorded for the year ended December 31, 2013 since the Organization had no significant unrelated business income. The Organization is not a private foundation under section 509 (a)(1) of the IRC.

Concentrations of credit risk:

The Organization's assets that are exposed to credit risk consist primarily of cash and cash equivalents, investments, promises to give, and grants and other receivables. Deposits are maintained at one financial institution, and such deposits may, at times, exceed federally insured limits (FDIC). Cash and cash equivalents balances are maintained with what management believes to be a high-quality financial institution; therefore, management believes the credit risk related to these balances is minimal. The Organization invests its excess cash and cash equivalents, and maintains a portion of its investments with the same financial institution; which is a member of the Securities Investor Protection Corporation (SIPC). Additionally, the Organization's endowment fund is held by The Miami Foundation, a community foundation that was created to build permanent charitable endowments of Miami-Dade County. The Organization performs periodic evaluations of these institutions for relative credit standing. Management periodically monitors the composition and maturities of investments. Grants and other receivables consist primarily of amounts due from various agencies, private foundations, or corporations. Historically, the Organization has not experienced significant losses related to grants and other receivables, including promises to give, and; therefore, believes that the credit risk related to grants and other receivables is minimal.

Date of management review:

The Organization has evaluated its December 31, 2013 financial statements for subsequent events through July 25, 2014, the date the financial statements were available to be issued. The Organization is not aware of material subsequent events which would require recognition or disclosure in the financial statements.

TAKE STOCK IN CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE 2 – ENDOWMENT FUND AND PERMANENTLY RESTRICTED NET ASSETS

The Helios Education Foundation previously contributed \$1,000,000 to an operating endowment fund, with income from the endowment to be utilized for the general support of the Organization. Accordingly, the \$1,000,000 original principal amount of the endowment is presented as permanently restricted net assets, with the annual investment income and changes in fair value reported under change in unrestricted net assets.

The endowment fund is held at The Miami Foundation, Inc. (the “Foundation”) under an agreement to invest and reinvest the fund exclusively for charitable uses and purposes in accordance with the rules, from time to time, adopted by the Foundation regarding the investment and distribution of endowment funds.

At December 31, 2013, Endowment Fund investments consist of the following:

	Cost	Fair Value
Pooled investments (Note 3)	\$ <u>1,000,000</u>	\$ <u>1,183,054</u>

The following table presents the endowment-related balances and activities by net asset classification as of and for the year ended December 31, 2013:

	Unrestricted	Donor Restricted Permanently Restricted	Total Net Endowment Assets
Investment return:			
Net appreciation (realized and unrealized)	\$ 165,846	\$ -	\$ 165,846
Less: Investment fees and other charges, net	<u>(9,376)</u>	<u>-</u>	<u>(9,376)</u>
Total investment return	156,470	-	156,470
Transfers and expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total change in endowment funds	<u>156,470</u>	<u>-</u>	<u>156,470</u>
Endowment net assets, beginning of the year	<u>26,584</u>	<u>1,000,000</u>	<u>1,026,584</u>
Endowment net assets, end of the year	<u>\$ 183,054</u>	<u>\$ 1,000,000</u>	<u>\$ 1,183,054</u>

TAKE STOCK IN CHILDREN, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2013

NOTE 2 – ENDOWMENT FUND AND PERMANENTLY RESTRICTED NET ASSETS (continued)

Spending Policy:

Under the terms of the agreement, the Organization is entitled to a quarterly distribution of funds equivalent to 1.25% of the endowment fund balance, so long as that balance exceeds \$ 1,000,000.

Funds with Deficiencies:

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. As of December 31, 2013, there were no deficits related to this endowment fund.

NOTE 3 – INVESTMENTS

Investments are stated at estimated fair value and, at December 31, 2013, consist of:

Pooled investments	\$ 1,183,054
Fixed income fund	141,898
Exchange traded fund	22,319
Common stock	<u>20,273</u>
 Total investments	 \$ <u><u>1,367,544</u></u>

These investments are reported in the accompanying statement of financial position as follows:

Current assets:	
Investments	\$ 184,490
 Noncurrent assets:*	
Investments	<u>1,183,054</u>
	 \$ <u><u>1,367,544</u></u>

\* Investments classified as noncurrent represent those with long-term imposed donor restrictions.

Investment income relative to these investments, and other cash equivalents, held by the Organization for the year ended December 31, 2013, is composed of:

Realized and unrealized gains, net	\$ 165,500
Interest and dividend income	4,630
Investment fees and other charges	<u>(19,676)</u>
	 \$ <u><u>150,454</u></u>

TAKE STOCK IN CHILDREN, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2013

NOTE 3 – INVESTMENTS (continued)

Fair Value Measurements:

In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, the Organization provides certain disclosures based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset with the greatest volume and level of activity for the asset is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset with the price that maximizes the amount that would be received. Fair value is based on assumptions market participants would make in pricing the asset. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

The Organization's assets recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- Level 1 - Inputs that are observable and reflect quoted market prices (unadjusted) for identical instruments traded in active markets.
- Level 2 – Inputs 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).
- Level 3 - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Accounting Standards Update (ASU) 2009-12 *Guidance for Measuring Fair Value of Certain Alternative Investments* allows the classification of investments that can be redeemed at a readily determinable net asset value within the near term as Level 2 and all others as Level 3.

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. An investment's classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following table represents the investments as held by the Organization at December 31, 2013:

<u>Asset Class</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Pooled investments	\$ -	\$ 1,183,054	\$ 1,183,054
Fixed income fund	141,898	-	141,898
Exchange traded fund	22,319	-	22,319
Common stock	20,273	-	20,273
	<u>\$ 184,490</u>	<u>\$ 1,183,054</u>	<u>\$ 1,367,544</u>

TAKE STOCK IN CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE 4 – PROMISES TO GIVE

During the year, the Organization received a \$ 200,000 pledge from a foundation designated for the Leaders for Life Program and a \$ 200,000 pledge from the same foundation designated towards the Vice President of Development's position. This aggregate pledge is to be received over two years in equal installments of \$ 100,000. The first \$ 100,000 installment is to be received by January 31, 2014. The entire \$ 400,000 is reflected as a temporarily restricted promise to give and is shown at present value, using a 1% annual discount rate, amounting to \$ 4,134.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2013:

Computer, software and other equipment	\$ 623,718
Leasehold improvements	19,829
Less: Accumulated depreciation and amortization	<u>(129,056)</u>
	<u>\$ 514,491</u>

Depreciation and amortization expense totaled \$ 98,289 for the year ended December 31, 2013.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2013:

Leaders for life program	\$ 1,014,797
Fundraising and development	197,933
Scholarships	52,277
Miami-Dade program support	<u>25,000</u>
	<u>\$ 1,290,007</u>

NOTE 7 – DONATED GOODS, FACILITIES, SERVICES AND SCHOLARSHIPS

Donated goods, facilities, services and scholarships for the year ended December 31, 2013 are reported as part of the following expense categories in the accompanying statement of functional expenses:

Scholarships	\$ 438,345
Occupancy	38,866
Mentoring and advocacy	26,000
Office and other expenses	9,250
Professional services	<u>4,591</u>
	<u>\$ 517,052</u>

TAKE STOCK IN CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Organization maintains a 403(b) employee benefit plan (the "Plan") covering all employees. Under the Plan, all the Organization employees are eligible to participate after 1,000 hours of employment. The Organization is required to match the employees' contributions up to a maximum of 6% of each employee's salary. The Organization recorded contributions to the Plan of approximately \$ 40,000 for the year ended December 31, 2013.

NOTE 9 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2013, the Organization received contributions from board members totaling approximately \$ 145,000. In addition, a related party to board members made contributions as follows: \$ 1,000,000 was awarded to a previous year for the Leaders for Life Program of which \$ 250,000 (last installment) was received in 2013; and \$ 400,000 (Note 4) was awarded this year of which \$ 200,000 is designated for the Leaders for Life Program and \$ 200,000 is designated towards the Vice President of Development's position.

NOTE 10 - COMMITMENTS

The Organization leases office space under the terms of a noncancelable operating lease, payable in monthly installments of \$ 2,200 through January 2014 and \$ 2,939 thereafter, on a month to month basis. The Organization also leases office equipment under the terms of a noncancelable operating lease, at \$ 349 per month plus excess usage charges, expiring in April 2018.

Estimated future minimum lease payments under the current lease arrangements are expected to be approximately as follows:

<u>Years Ending</u> <u>December 31,</u>		
2014	\$	6,400
2015	\$	4,200
2016	\$	4,200
2017	\$	4,200
2018	\$	1,400

For the year ended December 31, 2013, rent expense in connection with these agreements amounted to approximately \$ 30,000. In addition, the Organization recorded donated facilities amounting to approximately \$ 39,000 for program offices located in Broward County.

NOTE 11 - CONTINGENCIES

Grant and Contracts

The Organization receives financial assistance from Federal, state and local agencies in the form of grants and contracts. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by grantor agencies. As a result of such audits, the grantor agency may require that amounts be returned. In certain instances, the grantor agency may increase its grant of funds to the Organization to offset amounts which would otherwise be repayable based on audits. As of December 31, 2013, the Organization had no amounts required to be returned on grants and contracts as a result of noncompliance.

TAKE STOCK IN CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE 11 - CONTINGENCIES (continued)

A substantial portion of the Organization's operations are funded from contracts with the State of Florida Department of Education. A significant funding policy change from this funder could have an adverse effect on the Organization's operations.

NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Cash Flow Information:

Cash received during the year for - Interest and dividend income	\$	4,630
Cash paid during the year for - Interest expense	\$	NONE

## SUPPLEMENTAL INFORMATION

TAKE STOCK IN CHILDREN, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
For the Year Ended December 31, 2013

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
FEDERAL AGENCY NAME:				
Direct Programs:				
U.S. Department of Education - State Fiscal Stabilization Fund (SFSF) Investing in Innovation (i3) Fund	* 84.396	U396C100570	\$ 1,180,089	\$ -
TRIO - Upward Bound	84.047	P047A121324	246,226	-
Indirect Programs:				
U.S. Corporation for National Community Service - Passed through The Florida Commission on Community Service - AmeriCorps - Volunteer Florida	94.006	10AC117369	<u>53,155</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u><u>1,479,470</u></u>	\$ <u><u>-</u></u>
STATE AGENCY NAME:				
Direct Project:				
State of Florida Department of Education - Mentoring/Student Assistance Initiatives	* 48.068	167-96445-3QT01 167-96445-4Q001	\$ 3,011,552 <u>2,826,553</u>	\$ 2,392,375 <u>2,360,912</u>
Total Expenditures of State Financial Assistance			\$ <u><u>5,838,105</u></u>	\$ <u><u>4,753,287</u></u>

\* Denotes a major program / project.

TAKE STOCK IN CHILDREN, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL  
ASSISTANCE  
For the Year Ended December 31, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the grant activity of Take Stock in Children, Inc. and is 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 the *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

Grant and contract revenue is 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/contract agencies would become a liability of Take Stock in Children, Inc. 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 other regulations.

# INTERNAL CONTROLS AND COMPLIANCE

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  
Take Stock in Children, Inc.  
Miami, 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 Take Stock in Children, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2013, 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 July 25, 2014.

**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. 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 from 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  
July 25, 2014

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

To the Board of Directors  
Take Stock in Children, Inc.  
Miami, Florida

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

We have audited Take Stock in Children, Inc.'s (a nonprofit organization) (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Organization's major Federal program and state project for the year ended December 31, 2013. The Organization's major Federal program and state project 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 for compliance with the requirements of laws, regulations, contracts and grants applicable to its Federal programs and state projects.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Organization's major Federal program and state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program and/or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## **Opinion on Each Major Federal Program and State Project**

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to on the previous page that could have a direct and material effect on its major Federal program and state project for the year ended December 31, 2013.

## **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 in the first paragraph. 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 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 the major Federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program and/or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program and/or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses 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.

## **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

KEEFE McCULLOUGH

Fort Lauderdale, Florida  
July 25, 2014

TAKE STOCK IN CHILDREN, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended December 31, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Take Stock in Children, 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 Take Stock in Children, 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 State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*.
5. The auditor's report on compliance for the major Federal program and state project for Take Stock in Children, Inc. expresses an unmodified opinion.
6. There are no findings relative to the major Federal program or state project for Take Stock in Children, Inc. reported in Part C of this schedule.
7. The program/project tested as a major program/project is as follows:

<u>Federal Program:</u>	<u>CFDA Number</u>
U.S. Department of Education - State Fiscal Stabilization Fund (SFSF) Investing in Innovation (i3) Fund	84.396
<u>State Project:</u>	<u>CSFA Number</u>
State of Florida Department of Education - Mentoring/Student Assistance Initiatives	48.068

8. The threshold for distinguishing Type A and Type B programs/projects was \$ 300,000 for Federal programs and for state projects.
9. Take Stock in Children, Inc. was determined to be a low risk auditee pursuant to OMB Circular A-133.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters to be reported.

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

No matters to be reported

TAKE STOCK IN CHILDREN, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2013

D. OTHER ISSUES

A separate management letter was not issued because there were no findings required to be reported in the management letter.

No summary schedule of prior audit findings is required because there were no prior audit findings related to Federal programs or state projects.

No corrective action plan is required because there were no findings reported under OMB Circular A-133 or the Florida Single Audit Act.