

SOS CHILDREN'S VILLAGES - FLORIDA, INC.

**Financial Statements
and Supplementary Information**

**For the Years Ended
December 31, 2022 and 2021**

SOS CHILDREN’S VILLAGES - FLORIDA, INC.
Financial Statements and Supplementary Information
For the Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SOS Children's Villages – Florida, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SOS Children's Villages – Florida, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of SOS Children's Villages – Florida, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SOS Children's Villages – Florida, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SOS Children's Villages – Florida, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SOS Children's Villages – Florida, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.650, *Rules of the Auditor General*, 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 schedule of expenditures of federal awards and state financial assistance 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 June 20, 2023, on our consideration of SOS Children's Villages – Florida, Inc.'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SOS Children's Villages – Florida, Inc.'s 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 SOS Children's Villages – Florida, Inc.'s internal control over financial reporting and compliance.

Bellows Associates P. A.

Bellows Associates, PA
Coral Springs, Florida
June 20, 2023

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Statements of Financial Position
December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------------------|-----------------------------------|
| ASSETS | | |
| Cash, cash equivalents, and restricted cash | \$ 3,895,904 | \$ 3,413,132 |
| Contracts receivable | 379,480 | 284,034 |
| Contributions receivable, net | 1,156,511 | 1,035,392 |
| Prepaid expenses | 9,484 | 19,986 |
| Investments | 988,380 | 750 |
| Property and equipment, net | 813,384 | 874,481 |
| Right-of-use asset - operating leases | 194,156 | - |
| TOTAL ASSETS | <u><u>\$ 7,437,299</u></u> | <u><u>\$ 5,627,775</u></u> |
| LIABILITIES | | |
| Accounts payable | \$ 20,480 | \$ 29,156 |
| Accrued expenses | 188,927 | 204,092 |
| Lease liability - operating leases | 194,156 | - |
| TOTAL LIABILITIES | <u>403,563</u> | <u>233,248</u> |
| NET ASSETS | | |
| Without donor restrictions | 4,453,235 | 3,678,419 |
| With donor restrictions | 2,580,501 | 1,716,108 |
| TOTAL NET ASSETS | <u>7,033,736</u> | <u>5,394,527</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 7,437,299</u></u> | <u><u>\$ 5,627,775</u></u> |

See accompanying notes to the financial statements.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Statements of Activities
For the Years Ended December 31, 2022 and 2021

| | 2022 | | | 2021 | | |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|---------------------------------------|------------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUES | | | | | | |
| Governmental contracts and grants | \$ 2,791,235 | \$ - | \$ 2,791,235 | \$ 2,839,374 | \$ - | \$ 2,839,374 |
| Contributions - direct public support | 1,910,481 | 1,537,946 | 3,448,427 | 1,325,887 | 1,748,191 | 3,074,078 |
| Contributions - related organizations | - | - | - | 15,000 | - | 15,000 |
| Distributions from beneficial assets | 57,253 | - | 57,253 | 55,019 | - | 55,019 |
| Investment income | 5,457 | - | 5,457 | 1,884 | - | 1,884 |
| Other income | 14,812 | - | 14,812 | - | - | - |
| Net assets released from restrictions | 673,553 | (673,553) | - | 508,035 | (508,035) | - |
| TOTAL SUPPORT AND REVENUES | 5,452,791 | 864,393 | 6,317,184 | 4,745,199 | 1,240,156 | 5,985,355 |
| EXPENSES | | | | | | |
| Program services: | | | | | | |
| Foster Care | 2,482,351 | - | 2,482,351 | 2,444,186 | - | 2,444,186 |
| Dependency Case Management | 488,352 | - | 488,352 | 432,661 | - | 432,661 |
| Next Steps | 391,911 | - | 391,911 | 388,138 | - | 388,138 |
| Independent Living | 32,319 | - | 32,319 | 24,896 | - | 24,896 |
| Mental/Behavioral Health | 82,949 | - | 82,949 | 72,711 | - | 72,711 |
| Total program services | 3,477,882 | - | 3,477,882 | 3,362,592 | - | 3,362,592 |
| Management and general | 340,268 | - | 340,268 | 317,189 | - | 317,189 |
| Fundraising | 859,825 | - | 859,825 | 723,119 | - | 723,119 |
| TOTAL EXPENSES | 4,677,975 | - | 4,677,975 | 4,402,900 | - | 4,402,900 |
| CHANGE IN NET ASSETS | 774,816 | 864,393 | 1,639,209 | 342,299 | 1,240,156 | 1,582,455 |
| NET ASSETS, BEGINNING OF YEAR | 3,678,419 | 1,716,108 | 5,394,527 | 3,336,120 | 475,952 | 3,812,072 |
| NET ASSETS, END OF YEAR | \$ 4,453,235 | \$ 2,580,501 | \$ 7,033,736 | \$ 3,678,419 | \$ 1,716,108 | \$ 5,394,527 |

See accompanying notes to the financial statements.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Statements of Functional Expenses
For the Year Ended December 31, 2022

| | Program Services | | | | | | Management and General | Fundraising | Total |
|----------------------------------|------------------|----------------------------|------------|--------------------|--------------------------|--------------|------------------------|-------------|--------------|
| | Foster Care | Dependency Case Management | Next Steps | Independent Living | Mental/Behavioral Health | Total | | | |
| Salaries | \$ 1,084,131 | \$ 386,573 | \$ 151,294 | \$ 29,302 | \$ 76,910 | \$ 1,728,210 | \$ 216,107 | \$ 382,959 | \$ 2,327,276 |
| Employee benefits | 56,528 | 44,361 | 12,595 | - | 252 | 113,736 | 18,539 | 23,982 | 156,257 |
| Payroll taxes | 84,059 | 28,566 | 11,600 | 2,284 | 5,787 | 132,296 | 15,883 | 27,475 | 175,654 |
| Professional fees | 31,376 | - | - | - | - | 31,376 | 37,303 | 80,763 | 149,442 |
| Office expenses | 77,469 | 3,675 | 6,136 | 707 | - | 87,987 | 16,889 | 56,306 | 161,182 |
| Computer expenses | 17,475 | - | - | - | - | 17,475 | 651 | 2,101 | 20,227 |
| Occupancy | 27,970 | 1,828 | 27,281 | 7 | - | 57,086 | 49 | - | 57,135 |
| Lease expenses | 49,858 | 2,482 | 13,644 | - | - | 65,984 | - | 1,029 | 67,013 |
| Travel expenses | 465 | 567 | 3,877 | - | - | 4,909 | - | 316 | 5,225 |
| Conferences and meetings | 738 | 403 | 40 | - | - | 1,181 | 40 | 2,843 | 4,064 |
| Insurance | 171,492 | - | - | - | - | 171,492 | 19,014 | 14,948 | 205,454 |
| Home expenses | 428,021 | 8,873 | 57,650 | - | - | 494,544 | 384 | 766 | 495,694 |
| Children services | 75,569 | 4,956 | 73,989 | 19 | - | 154,533 | 134 | - | 154,667 |
| Vehicle expenses | 121,916 | 6,068 | 33,364 | - | - | 161,348 | 140 | 2,377 | 163,865 |
| Depreciation expenses | 135,429 | - | - | - | - | 135,429 | 15,048 | - | 150,477 |
| Maintenance service and supplies | 119,794 | - | - | - | - | 119,794 | - | - | 119,794 |
| Other event expenses | - | - | - | - | - | - | - | 247,508 | 247,508 |
| Fees, permits, and licences | 61 | - | - | - | - | 61 | - | 14,808 | 14,869 |
| Miscellaneous expenses | - | - | 441 | - | - | 441 | 87 | 1,644 | 2,172 |
| Total Expenses | \$ 2,482,351 | \$ 488,352 | \$ 391,911 | \$ 32,319 | \$ 82,949 | \$ 3,477,882 | \$ 340,268 | \$ 859,825 | \$ 4,677,975 |

See accompanying notes to the financial statements.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Statements of Functional Expenses (Continued)
For the Year Ended December 31, 2021

| | Program Services | | | | | | Management and General | Fundraising | Total |
|----------------------------------|------------------|----------------------------|------------|--------------------|--------------------------|--------------|------------------------|-------------|--------------|
| | Foster Care | Dependency Case Management | Next Steps | Independent Living | Mental/Behavioral Health | Total | | | |
| Salaries | \$ 1,192,513 | \$ 349,699 | \$ 183,721 | \$ 21,080 | \$ 64,724 | \$ 1,811,737 | \$ 194,472 | \$ 396,212 | \$ 2,402,421 |
| Employee benefits | 71,214 | 42,192 | 13,122 | - | 2,127 | 128,655 | 21,816 | 28,197 | 178,668 |
| Payroll taxes | 84,114 | 25,932 | 14,344 | 1,764 | 5,546 | 131,700 | 15,078 | 30,458 | 177,236 |
| Professional fees | 21,191 | 620 | 74 | - | - | 21,885 | 32,061 | 61,873 | 115,819 |
| Advertising and marketing | - | - | - | - | - | - | - | 250 | 250 |
| Office expenses | 59,438 | 2,807 | 4,105 | 1,699 | 165 | 68,214 | 19,500 | 42,471 | 130,185 |
| Computer expenses | 30,915 | - | 5,527 | - | - | 36,442 | 1,027 | 2,570 | 40,039 |
| Occupancy | 729 | - | 23,043 | - | - | 23,772 | - | - | 23,772 |
| Travel expenses | - | - | 384 | - | - | 384 | - | - | 384 |
| Conferences and meetings | 2,712 | 200 | 5 | - | 149 | 3,066 | - | 133 | 3,199 |
| Insurance | 142,229 | - | - | - | - | 142,229 | 16,936 | 11,216 | 170,381 |
| Home expenses | 342,327 | - | 38,366 | 353 | - | 381,046 | 442 | 604 | 382,092 |
| Children services | 107,169 | 6,072 | 61,740 | - | - | 174,981 | - | - | 174,981 |
| Vehicle expenses | 183,969 | 5,139 | 43,644 | - | - | 232,752 | 42 | 972 | 233,766 |
| Depreciation expenses | 135,141 | - | - | - | - | 135,141 | 15,016 | - | 150,157 |
| Maintenance service and supplies | 69,460 | - | - | - | - | 69,460 | 382 | 74 | 69,916 |
| Other event expenses | - | - | - | - | - | - | - | 131,036 | 131,036 |
| Fees, permits, and licences | 1,025 | - | - | - | - | 1,025 | 198 | 16,631 | 17,854 |
| Miscellaneous expenses | 40 | - | 63 | - | - | 103 | 219 | 422 | 744 |
| Total Expenses | \$ 2,444,186 | \$ 432,661 | \$ 388,138 | \$ 24,896 | \$ 72,711 | \$ 3,362,592 | \$ 317,189 | \$ 723,119 | \$ 4,402,900 |

See accompanying notes to the financial statements.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,639,209 | \$ 1,582,455 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 150,477 | 150,157 |
| Amortization of ROU asset - operating leases | 43,439 | - |
| Changes in operating assets and liabilities: | | |
| Contracts receivable | (95,446) | 68,617 |
| Contributions receivable | (121,119) | (929,074) |
| Prepaid expenses | 10,502 | (7,355) |
| Accounts payable | (8,676) | 13,326 |
| Accrued expenses | (15,165) | 29,877 |
| Lease liability - operating leases | (43,439) | - |
| Deferred revenue | - | (10,150) |
| Net cash provided by operating activities | <u>1,559,782</u> | <u>897,853</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investment securities | (987,630) | - |
| Purchase of property and equipment | <u>(89,380)</u> | <u>(74,858)</u> |
| Net cash (used in) investing activities | <u>(1,077,010)</u> | <u>(74,858)</u> |
| NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | 482,772 | 822,995 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR | <u>3,413,132</u> | <u>2,590,137</u> |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR | <u><u>\$ 3,895,904</u></u> | <u><u>\$ 3,413,132</u></u> |
| Supplemental disclosures: | | |
| Noncash investing and financing activities | | |
| Lease asset obtained in exchange for lease obligation | | |
| Operating leases | <u><u>\$ 237,595</u></u> | <u><u>\$ -</u></u> |
| As of December 31, 2022 and 2021, the amounts included in cash, cash equivalents, and restricted cash include the following: | | |
| Cash - operations | \$ 2,466,056 | \$ 2,661,086 |
| Donor restricted cash | <u>1,429,848</u> | <u>752,046</u> |
| Total cash, cash equivalents, and restricted cash | <u><u>\$ 3,895,904</u></u> | <u><u>\$ 3,413,132</u></u> |

See accompanying notes to the financial statements.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 1 – Organization and Summary of Significant Accounting Policies

Organization

SOS Children's Villages – Florida, Inc. (SOS) is incorporated as a nonprofit corporation in the State of Florida. SOS is established and operates in accordance with the rules, regulations and criteria established by the SOS Kinderdorf International (SOS-KDI) which is headquartered in Innsbruck, Austria, to the extent there is no conflict with any applicable federal or state laws or regulations.

SOS provides care for foster children who have a history of abuse, neglect, or abandonment. SOS fulfills its mission by providing a family-oriented community offering healing, hope and home for children, young adults, and families to become self-sufficient contributing members of society. It is a top priority of SOS to keep sibling groups together. Each of the programs help to enhance the health and welfare benefits of the children served.

Program activities include:

Foster Care – Neighborhood foster homes are each staffed by nurturing, trained, licensed foster parents providing the care needed to support the children living in their home. SOS offers an array of services on campus to support the children and families served.

Dependency Case Management – Case managers provide services that include, but are not limited to, daily case management, preparing admissions and discharges, linking all services, advocacy, preparing and monitoring SOS service plans, participating in court hearings and team meetings, participating in rotation of 24-hour on-call response, crisis intervention, participating in biological family visitation, serving as liaison to community-based care providers and other service providers, facilitating/attending school meetings, maintaining case files, conducting home visits, and submitting required reports to collateral agencies involved with the children. Additionally, Case Managers are certified by the Florida Certification Board as Child Welfare Case Managers, working hand in hand with families to help achieve permanency.

Next Steps – Transitional Independent Living (TIL) Case Managers/Life Coaches offer case management services to young adults' ages 18+ who once lived at SOS or had some type of involvement with the Dependency/Child Welfare system and are now living independently within the community or in college. All young adults served in this program receive the support needed from the TIL Case Managers/Life Coaches to assist the young adults during their transition from SOS or in the community to independence, and with ongoing assistance in areas including counseling, emergency assistance, advocacy, and links to employment and housing amongst any other practical needs in order to strengthen self-sufficiency.

Independent Living – Life skills are provided in individual and group sessions, according to age groupings. Skills learned in the sessions are practiced in the SOS homes, a classroom setting or on a field trip. Services also include planning with youth toward employment, academic and vocational pursuits.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Organization (Continued)

Program activities include (Continued):

Mental and Behavioral Health – SOS trains all staff and children on the behavioral system for the kids in the home. Upon placement, each child is trained on the reward/consequence system based on their own choice. Foster parents are trained to run the program in their home to ensure the continuity of care for all of our residents. Additionally, there are mental health counselors who provide individual, family and group therapy to the children.

Basis of Presentation

The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). SOS reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See Note 9.

Cash, Cash Equivalents, and Restricted Cash

For the statements of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. As of December 31, 2022 and 2021, SOS had cash equivalents of \$9,271 and \$8,440, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the 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.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Property and equipment

Property and equipment are recorded at cost or, if donated, at their estimated fair market value at the date of contribution. SOS capitalizes property and equipment over \$1,000 with a useful life greater than one year. Maintenance and repairs to property and equipment are charged to expense when incurred. Depreciation expense is computed using the straight-line method over the estimated useful life of each class of depreciable asset, which are as follows:

| | <u>Years</u> |
|----------------------------|--------------|
| Site development | 15-25 |
| Buildings and improvements | 10-30 |
| Furniture and fixtures | 7-10 |
| Machinery and equipment | 5-15 |

Donated property and equipment are reported as net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash restricted by the donor for the purchase of property and equipment are reported as net assets with donor restrictions. SOS reports expirations of donor restrictions when the asset is placed in service.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and expected disposition. When considering impaired, an impairment loss is recognized to the extent that carrying value exceeds the fair value of the assets. There were no indications of asset impairment during the years ended December 31, 2022 and 2021.

Investments

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer an asset in an orderly transaction between market participants at the measurement date. Investment income consists of interest and dividend income on investments and any gains or losses realized and unrealized on the investments. Investment income is available for use in operations. Investment income is reported net of fees. See Note 6.

Beneficial Interest in Assets Held by Community Foundation

During 2002, SOS established a designated endowment fund that is perpetual in nature with the Community Foundation of Broward, Inc. (the Foundation) a Florida not for profit corporation. The Foundation is independent of SOS and maintains control over the assets within the requirements of the agreement. Variance power has been granted to the Foundation, which allows the Foundation to distribute the allowable funds to an organization of similar exempt purpose in the case of SOS's dissolution. The fund is held and invested by the foundation for SOS's benefit. See Note 11.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Joint Costs of Fundraising

SOS 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.

Revenue Recognition

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized in the period received or promised. Contributions received with donor stipulations that limit the use of the donated assets are recorded as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions are initially reported as activities with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period.

Contributions Receivable

Unconditional contributions receivable expected to be received within one year and are recorded at their net realizable value. Unconditional contributions receivable due beyond one year are stated at net present value of the estimated cash flows using the risk-free interest rate at the time the pledges or contributions were made. As of December 31, 2022, the discount rates on promises to give restricted to passage of time and to particular use were 3% and 4%, respectively. As of December 31, 2021, the discount rate was 3%. Amortization of the discounts is included in contribution revenue. As of December 31, 2022 and 2021, the unamortized discount was \$49,347 and \$20,938, respectively. The Organization deems all contributions receivable to be collectible, and accordingly does not have an allowance for doubtful accounts. As of December 31, 2022 and 2021, donor restricted contributions receivable net of discounts totaled \$1,150,653 and \$964,062, respectively.

Contributed Services and Materials

SOS receives contributions of noncash assets and services as donations (in-kind contributions). Contributed services are reported at their estimated fair value of those donated services when those services either (1) creates or enhances a nonfinancial asset, or (2) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. For the years ended December 31, 2022 and 2021, SOS did not receive contributed services.

Contributed materials and supplies are recorded at their estimated fair market value at the date of the contribution. For the years ended December 31, 2022 and 2021, SOS did not receive contributed materials and supplies.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributed Services and Materials (Continued)

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities. However, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP.

Grants and Contracts

SOS receives federal awards and state financial assistance based on reimbursement contracts executed with a pass-through agency or directly from the state. Revenues from these contracts are recorded as the specific qualifying expenses under contract are incurred at which point the barrier of revenue recognition is overcome. SOS submits the qualifying expenses for reimbursement at the end of each month of service. SOS's annual reimbursement contracts with the State of Florida is customarily renewed every July 1st based on the State's fiscal year. The release of funds is subject to monies being made available by the federal government, State of Florida, Broward County, and certain other granting agencies. Some of these agreements may be terminated by either party with thirty days written notice.

Program expenditures made by SOS 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 SOS to offset amounts which would otherwise be repayable based on audits. As of December 31, 2022 and 2021, SOS had no amounts required to be returned as a result of such audits for each year.

On January 29, 2021, SOS received a loan through the Paycheck Protection Program (PPP) and guaranteed by the U.S. Small Business Administration (SBA) in the amount of \$498,282. Funds from the PPP loan may only be used for payroll and other eligible occupancy costs as outlined in the loan agreements. Loan principal and interest payments are deferred from the date of the first disbursement of the loans up to 10 months after the end of the borrower's loan forgiveness covered period, which is 24 weeks from the date of loan disbursements. SOS has elected to treat the loan as a conditional grant on the accompanying statements of activities. The grant is recognized on a systematic basis over the period in which SOS recognizes corresponding eligible expenses for which the grant is intended to compensate. The grant is not required to be repaid if the funds are used to offset eligible expenses as determined by the SBA. For the year ended December 31, 2021, all amounts related to the grant were recognized as revenue, as all conditions were met. On September 16, 2021, the loan was forgiven.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contracts Receivable

Contracts receivable consist primarily of uncollected reimbursements for allowable expenses under reimbursement contracts with governmental agencies. Management periodically reviews the contracts and other receivables balances and provides an allowance for accounts which may be uncollectible. The amount is determined based upon historical experiences, economic conditions, and a review of subsequent collections. As of December 31, 2022 and 2021, management considers the contracts receivable to be fully collectible and no allowance for doubtful accounts has been established.

Deferred Revenue

Donations and grants received prior to the year to which they apply are not recognized as revenues until the year earned and are reported as deferred revenue in the accompanying statements of financial position. As of December 31, 2022 and 2021, SOS had no amounts deferred.

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, salaries, employee benefits, payroll taxes, professional fees, office expenses, insurance, and other expenses which are allocated on the basis of estimates of time and effort. Such estimates are determined by management.

Lessee Accounting Standards Update

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on the statements of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities. Under ASC 842, a contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The determination of whether an arrangement is a lease is made at inception. SOS only reassesses its determination if the terms and conditions of the arrangement are changed.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Lessee Accounting Standards Update (Continued)

A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. SOS has adopted the new standard and the applicable amendments on January 1, 2022 and will use the effective date as its date of initial application. The new standard provides a number of optional practical expedients in transition. The 'package of practical expedients', was elected which permits SOS not to reassess under the new standard their prior conclusions about lease identification, lease classification and initial direct costs.

The new standard also provides practical expedients for an entity's ongoing accounting. SOS has elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, SOS will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. SOS has also elected the practical expedient to not separate lease and non-lease components.

SOS believes the most significant effect to the financial statements is related to the recognition of the new ROU assets and lease liabilities on the statements of financial position for all operating leases. On adoption, SOS recognized additional operating liabilities of \$237,595, with corresponding ROU assets of the same amount based on the present value of the remaining minimum rental payments under current leasing standards for existing leases. As a practical expedient, SOS has elected to use the risk-free discount rate as of the later of the transition date or the lease commencement date.

Income Taxes

SOS has received a tax determination letter from the Internal Revenue Service (IRS) noting that it is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). SOS files Form 990, *Return of Organization Exempt from Income Tax* annually.

Date of Management's Review

Management has evaluated subsequent events through June 20, 2023, which is the date the financial statements were available to be issued.

NOTE 2 – Related Party Transactions

SOS-USA was organized as a separate entity to operate as the coordinating body for all the principles of SOS-KDI. For the years ended December 31, 2022 and 2021, SOS received direct funding from SOS-USA totaling \$0 and \$15,000, respectively. As of December 31, 2022 and 2021, \$7,440 of funds received remains restricted for a specific purpose for each year. See Note 9. In the event of SOS's dissolution, the assets of SOS will revert to SOS-USA.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 3 – Contracts and Contributions Receivables

SOS anticipates collection of contracts and contributions receivables as follows:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| One year or less | | |
| Without donor restrictions | \$ 385,338 | \$ 355,364 |
| Restricted to particular use | - | 235,000 |
| Restricted to passage of time | 200,000 | - |
| One to five years | | |
| Restricted to particular use, net | 471,591 | - |
| Restricted to passage of time, net | 479,062 | 729,062 |
| Contracts and contributions receivables, net | <u>\$ 1,535,991</u> | <u>\$ 1,319,426</u> |

NOTE 4 – Property and Equipment

The cost of property and equipment are as follows:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|-------------------|-------------------|
| Land and site development | \$ 1,115,927 | \$ 1,115,927 |
| Buildings and improvements | 3,596,319 | 3,596,319 |
| Furniture and fixtures | 270,510 | 270,510 |
| Machinery and equipment | 236,937 | 147,557 |
| Construction in progress | 38,913 | 38,913 |
| Total property and equipment | 5,258,606 | 5,169,226 |
| Less: Accumulated Depreciation | 4,445,222 | 4,294,745 |
| Property and equipment, net | <u>\$ 813,384</u> | <u>\$ 874,481</u> |

Depreciation expense for the years ended December 31, 2022 and 2021 was \$150,477 and \$150,157, respectively.

NOTE 5 – Right-of-Use – Operating Leases

SOS leases office equipment under a non-cancelable short-term lease with an expiration date of July 2023. SOS also leases vehicles under non-cancelable operating leases with expiration dates through July 2026. These vehicle leases contain options to purchase at the end of the lease. SOS is not likely to exercise these options. The ROU assets and liabilities were calculated utilizing varying risk-free discount rates of approximately 1% to 3%, which was the effective rate on the date of lease inception.

While all of the agreements provide for minimum lease payments, some include payments adjusted for certain taxes and fees. Variable payments are not determinable at lease commencement and are not included in the measurement of lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 5 – Right-of-Use – Operating Leases (Continued)

The weighted average remaining lease term and discount rate as of December 31, 2022 were as follows:

| | |
|---------------------------------------|------------------|
| | <u>Operating</u> |
| Weighted average remaining lease term | 3 years |
| Weighted average discount rate | 2% |

The following summarizes the line items in the statements of activities which include the components of lease expense for the years ended December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|-----------------------|-------------|-------------|
| Operating lease cost | \$ 64,301 | \$ 96,219 |
| Short-term lease cost | \$ 15,871 | \$ - |

The following summarizes cash flow information related to leases for the year ended December 31, 2022:

| | |
|---|------------|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | \$ 46,787 |
| Lease assets obtained in exchange for lease obligations: | |
| Operating leases | \$ 237,595 |

The maturities of lease liabilities as of December 31, 2022 were as follows:

| <u>Year Ending December 31,</u> | |
|------------------------------------|-------------------|
| 2023 | \$ 65,178 |
| 2024 | 65,178 |
| 2025 | 58,477 |
| 2026 | 12,673 |
| 2027 | - |
| Total lease payments | <u>201,506</u> |
| Less: Interest | <u>(7,350)</u> |
| Present value of lease liabilities | <u>\$ 194,156</u> |

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 6 – Investments and Fair Value Measurements

Accounting standards provide a framework for measuring fair value based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, as shown in the table below.

| | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SOS has the ability to access. |
| Level 2 | <p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> • Quoted prices for similar assets or liabilities in active markets; • Quoted prices for identical or similar assets or liabilities in active markets; • Inputs other than quoted prices that are observable for the asset or liability; and • Inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p> |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

Assets and liabilities are classified in their entirety on the lowest level of input that is significant to the fair value measurement. Changes in valuation techniques may result in transfers in or out of an investment's assigned level within the hierarchy.

Asset Valuation Techniques

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets at fair value.

- *Preferred Stock*: Valued at the net asset value of the units reported on the active market on which the individual investments are traded.
- *U.S. government securities*: Valued using pricing models maximizing the use of observable inputs for similar securities.
- *Corporate debt instruments*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

There have been no changes in the methodologies used as of December 31, 2022 and 2021.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 6 – Investments and Fair Value Measurements (Continued)

The following tables set forth by level within the fair value hierarchy a summary of SOS's investments measured at fair value on a recurring basis as of December 31, 2022 and 2021:

Fair Value Measurements as of December 31, 2022

| | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|----------------------------|---|---|--|-------------------|
| Preferred Stock | \$ - | \$ 750 | \$ - | \$ 750 |
| U.S. government securities | 692,633 | - | - | 692,633 |
| Corporate debt instruments | - | 294,997 | - | 294,997 |
| Total | <u>\$ 692,633</u> | <u>\$ 295,747</u> | <u>\$ -</u> | <u>\$ 988,380</u> |

Fair Value Measurements as of December 31, 2021

| | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|-----------------|---|---|--|---------------|
| Preferred Stock | \$ - | \$ 750 | \$ - | \$ 750 |
| Total | <u>\$ -</u> | <u>\$ 750</u> | <u>\$ -</u> | <u>\$ 750</u> |

SOS's policy is to recognize all transfers between levels at the beginning of the reporting period. For the years ended December 31, 2022 and 2021, there were no significant transfers in or out of Level 1, 2 or 3.

NOTE 7 – Line of Credit

SOS has a \$150,000 revolving line of credit with a bank, secured by equipment, general intangibles, and fixtures. Borrowings against the line of credit bear interest at the bank prime rate plus .5% or a minimum of 3.5% (3.75% and 5.25% as of December 31, 2022 and 2021, respectively). Principal and interest are due at maturity, on September 13, 2024. As of December 31, 2022 and 2021, there was no outstanding balance. For the years ended December 31, 2022 and 2021, there was no interest charged to expense.

NOTE 8 – Employee Benefit Plans

SOS has a 401(k) Retirement Plan which covers employees who meet certain age and years of service criteria. Employees contribute to the plan at their discretion and the employer matches at a discretionary pro-rata rate that is determined each year. For the years ended December 31, 2022 and 2021, employer contribution expenses were \$27,048 and \$37,302, respectively.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 9 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Subject to expenditure for specific purpose: | | |
| Next steps program | \$ 1,138,341 | \$ 307,230 |
| Disaster relief | 25,223 | 25,233 |
| Mental health | - | 2,620 |
| SOS-USA | 7,440 | 7,440 |
| Independent life skills | - | 14,557 |
| United Way - staff | - | 4,929 |
| Ridley field | 13,215 | 13,215 |
| Property renovation | 65,735 | 65,735 |
| Safe sun playground | 22,500 | 20,000 |
| Independent living plan | 3,543 | - |
| Events | 39,355 | - |
| Admin building expansion | 786,087 | 526,087 |
| Subject to passage of time: | | |
| Jim Moran Foundation | 479,062 | 729,062 |
| Total | <u>\$ 2,580,501</u> | <u>\$ 1,716,108</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|---------------------------------------|-------------------|-------------------|
| Satisfaction of purpose restrictions: | | |
| Next steps program | \$ 369,990 | \$ 358,344 |
| Mental health | 12,620 | 12,380 |
| SOS-USA | - | 7,560 |
| Independent life skills | 14,557 | 22,073 |
| United Way - staff | 4,929 | - |
| Vehicle leases | - | 10,000 |
| Property renovation | - | 36,265 |
| Tutoring | 10,000 | 20,000 |
| Furniture | 5,000 | - |
| Independent living plan | 6,457 | - |
| Admin building expansion | - | 38,913 |
| Passage of time: | | |
| Kenny Page Foundation | - | 2,500 |
| Jim Moran Foundation | 250,000 | - |
| Total | <u>\$ 673,553</u> | <u>\$ 508,035</u> |

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 10 – Liquidity and Availability of Funds

SOS has \$2,851,394 and \$3,016,450 of financial assets available within one year of December 31, 2022 and 2021 to meet cash needs for general operating purposes, consisting of cash of \$2,466,056 and \$2,661,086 and receivables of \$385,338 and \$355,364, respectively. None of these amounts are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of December 31, 2022 and 2021.

SOS manages operating liquidity primarily through budgeted monthly cash inflows and outflows. Cash inflows can be reasonably predicted since they are comprised mostly of contract vouchers. Cash outflows are planned accordingly so as not to exceed those expected inflows. As part of SOS's liquidity management plan, cash that exceeds SOS's expected short-term requirements is invested in money market funds. SOS also secured PPP loans to maintain adequate cash balances for upcoming expenses.

NOTE 11 – Designated Endowment Fund

SOS previously entered into an agreement with the Foundation to create a designated fund to serve as an endowment on behalf of SOS. The funds are the property of the Foundation and it is the general policy of the Foundation to make distributions to SOS from the endowment at least once annually. For the years ended December 31, 2022 and 2021, SOS took a distribution of \$57,253 and \$55,019, respectively, from the Foundation. As of December 31, 2022 and 2021, the ending asset value of the endowment totaled \$1,014,815 and \$1,297,097, respectively.

NOTE 12 – Current Vulnerability Due to Certain Concentrations

SOS is economically dependent upon the receipt of funds from the State of Florida for its programs. For the years ended December 31, 2022 and 2021, SOS received grants and other funding from the State of Florida Department of Children and Families totaling \$2,791,235 and \$2,341,092, respectively. A significant reduction in the level of this support would have an adverse effect on SOS's programs and activities and its ability to satisfy their financial and program obligations and commitments.

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 SOS. 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.

SOS maintains its cash balances with three financial institutions. The account balances at each of the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2022 and 2021, the uninsured and uncollateralized cash balances totaled \$3,392,784 and \$2,665,578, respectively. SOS also invests cash and maintains money market funds at another financial institution. The investments and cash balances are protected by the Securities Investor Protection Corporation up to \$500,000, which includes a \$250,000 limit for cash balances. As of December 31, 2022 and 2021, the uninsured and uncollateralized investments balances totaled \$487,630 and \$0, respectively. SOS has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 12 – Current Vulnerability Due to Certain Concentrations (Continued)

COVID-19 Outbreak

In response to the COVID-19 pandemic, SOS continues to evaluate risks as it relates to the impact on children, employees, vendors, and funding. The extent of the impact continues to depend on future developments. SOS has taken preventative measures by strictly adhering to and monitoring the Center for Disease Control's updated guidelines and regulations.

NOTE 13 – Subsequent Events

On January 18, 2023, SOS entered into a copier lease for a sixty-three-month term. The minimum future copier lease obligation over the lease term is approximately \$44,289. At varying dates in the subsequent period, SOS entered into 6 vehicle leases for thirty-six-month terms. The minimum future vehicle lease obligation over all of the lease terms is approximately \$96,700.

SUPPLEMENTARY INFORMATION

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended December 31, 2022

| Federal or State Grantor/ Pass Through Agency/ Program Title | ALN/ CSFA Number | Contract Agreement Number | Expenditures |
|---|------------------------|---------------------------------|---------------------|
| Federal Awards | | | |
| U.S. Department of Health and Human Services | | | |
| Passed through Florida Department of Children and Families and Passed through ChildNet, Inc. | | | |
| Foster Care –Title IV-E | 93.658 | SOS21-22NFH | \$ 293,794 |
| Foster Care –Title IV-E | 93.658 | SOS21-22DCM | 637,853 |
| Total Foster Care –Title IV-E | | | <u>931,647</u> |
| Social Services Block Grant | 93.667 | SOS21-22NFH | 247,783 |
| Total Social Services Block Grant | | | <u>247,783</u> |
| COVID-19 CARES Act Temporary Assistance for Needy Families | 93.558 | SOS21-22DCM | 156,178 |
| Temporary Assistance for Needy Families | 93.558 | SOS21-22DCM | 229 |
| Temporary Assistance for Needy Families | 93.558 | SOS21-22NFH | 131,096 |
| Total Temporary Assistance for Needy Families | | | <u>287,503</u> |
| Adoption Assistance | 93.659 | SOS21-22DCM | 49,857 |
| COVID-19 CARES Act Adoption Assistance | 93.659 | SOS21-22NFH | 79,393 |
| Adoption Assistance | 93.659 | SOS21-22NFH | 17,275 |
| Total Adoption Assistance | | | <u>146,525</u> |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | SOS21-22DCM | 62,955 |
| Promoting Safe and Stable Families | 93.556 | SOS21-22DCM | 3,992 |
| Total Federal Awards | | | <u>\$ 1,680,405</u> |
| State Financial Assistance | | | |
| State of Florida Department of Children and Families | | | |
| Passed through ChildNet, Inc. – Out-of-Home Supports | 60.074 | SOS21-22NFH | \$ 961,045 |
| Children's Villages Florida Infrastructure Improvements – FCO | 60.228 | WC107 | 149,785 |
| Total Florida Department of Children and Families | | | <u>1,110,830</u> |
| Total State Financial Assistance | | | <u>\$ 1,110,830</u> |

See Independent Auditor's Report and accompanying notes to Schedule of Expenditures of Federal
Awards and State Financial Assistance

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended December 31, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of SOS Children's Villages – Florida, Inc. for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Because the Schedule presents only a selected portion of the operations of SOS Children's Villages – Florida, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of SOS Children's Villages – Florida, Inc.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. SOS Children's Villages – Florida, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – CONTINGENCY

The grant and contract 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/contract agencies becomes a liability of SOS Children's Villages – Florida, Inc. In the opinion of management, all grant and contract expenditures are in compliance with the terms of the agreement and applicable federal, state, and local laws and regulations.



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 of
SOS Children's Villages – Florida, Inc.

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), which comprise the statement of financial position as of December 31, 2022, 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 June 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SOS Children's Villages – Florida, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SOS Children's Villages – Florida, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of SOS Children's Villages – Florida, Inc.'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SOS Children's Villages – Florida, Inc.'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Bellows Associates P. A.

Bellows Associates, PA
Coral Springs, Florida
June 20, 2023



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

To the Board of Directors of
SOS Children's Villages – Florida, Inc.

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program

We have audited SOS Children's Villages – Florida, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement*, and the requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of SOS Children's Villages – Florida, Inc.'s major federal programs and state projects for the year ended December 31, 2022. SOS Children's Villages – Florida, Inc.'s major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SOS Children's Villages – Florida, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program and State Project

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program and state projects on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 state projects 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 state projects 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Bellows Associates P. A.

Bellows Associates, PA
Coral Springs, Florida
June 20, 2023

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|--|---------------------------|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | _____ Yes <u> X </u> No |
| Significant deficiencies identified that are not considered to be material weaknesses? | _____ Yes <u> X </u> No |
| Noncompliance material to the financial statements noted? | _____ Yes <u> X </u> No |

Federal Awards and State Projects

| | |
|---|------------------------------|
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Internal control over major programs: | |
| Material weaknesses identified? | _____ Yes <u> X </u> No |
| Significant deficiencies identified that are not considered to be material weaknesses? | _____ Yes <u> X </u> No |
| Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) and Chapter 10.650, <i>Rules of the Auditor General</i> ? | _____ Yes <u> X </u> No |
| Dollar threshold used to distinguish between Type A and Type B federal programs | \$750,000 |
| Dollar threshold used to distinguish between Type A and Type B state programs | \$300,000 |
| Auditee qualifies as low-risk auditee? | <u> X </u> Yes _____ No |

Identification of major programs:

| | |
|---|---------------|
| <u>Name of Federal Program or Cluster</u> | <u>ALN</u> |
| <u>U.S. Department of Health and Human Services: Foster Care - Title IV-E</u> | <u>93.658</u> |
| <u>Name of State Project or Cluster</u> | <u>CSFA</u> |
| <u>State of Florida Department of Children and Families Cluster: Out-of-Home Supports</u> | <u>60.074</u> |

SOS CHILDREN'S VILLAGES - FLORIDA, INC.
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

No reportable findings.

SECTION III – FEDERAL AWARD AND STATE PROJECT FINDINGS AND QUESTIONED COSTS

No reportable findings or questioned costs.

SECTION IV – MANAGEMENT LETTER AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

A separate management letter was issued which identifies the auditor's comments and recommendations.

A summary schedule of prior audit findings is not presented as there were no audit findings in the prior year to be reported on.

No corrective action plan is required as there were no findings reported under the Uniform Guidance or the Florida Single Audit Act.



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

Report on the Financial Statements

We have audited the financial statements of SOS Children's Villages – Florida, Inc. as of and for the year ended December 31, 2022, and have issued our report thereon dated June 20, 2023.

Auditor's Responsibility

We conducted our audit 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 20, 2023, should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but warrants the attention of those charged with governance. In connection with our audit, we noted the following:

1. During testing of employee files, it was noted that one randomly selected file did not maintain a signed job description, and two files did not have annually signed documents (Security Agreement, and Whistleblower's Act and Attestation) for the current audit period.

Recommendation: We recommend that the Organization obtain noted missing documents and implement a checklist for all new employee files to ensure all contract documentation requirements are fulfilled.

2. During testing of children files, it was noted that 6 randomly selected files did not have an inventory of possessions performed at in-take nor an annual log of items maintained.

Recommendation: We recommend that the Organization obtain noted missing documents and implement a checklist for all child files to ensure all contract documentation requirements are fulfilled.

Additional Matters (Continued)

3. During testing of credit card controls, it was noted that 10 of the 40 randomly selected credit card charges did not have a corresponding receipt to support the charges.

Recommendation: We recommend that the Organization adhere to its controls over credit card charges and maintain all necessary supporting documents, including printing automatic debit transactions.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Bellows Associates P. A.

Bellows Associates, PA
Coral Springs, Florida
June 20, 2023