

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**KIDS CENTRAL, INC.
OCALA, FLORIDA**

JUNE 30, 2016

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**KIDS CENTRAL, INC.
OCALA, FLORIDA**

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Kids Central, Inc.
Ocala, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Kids Central, Inc. (the Corporation) a nonprofit organization, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors
Kids Central, Inc.
Ocala, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic 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, Audits of States, Local Governments, and Non-Profit Organizations*, 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 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 November 14, 2016, on our consideration of the Corporation'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Davis, Gray and Company, LLP

November 14, 2016
Ocala, Florida

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND JUNE 30, 2015
KIDS CENTRAL, INC. - OCALA, FLORIDA

ASSETS

	2016	2015
Current Assets		
Cash and Cash Equivalents	\$ 6,893,414	\$ 6,604,924
Restricted Cash - Client Trust Funds	183,335	171,198
Grants and Provider Receivable	210,050	282,573
Unbilled Grants Receivable	522,910	462,146
Prepaid Expenses	124,358	354,156
Other Receivable	3,224	3,115
Total Current Assets	<u>7,937,291</u>	<u>7,878,112</u>
Property and Equipment Temporarily Restricted for Federal and State Programs, Net of Accumulated Depreciation	1,198,743	1,682,113
Noncurrent Assets		
Other Assets	232,678	40,174
Total Noncurrent Assets	<u>1,431,421</u>	<u>1,722,287</u>
Total Assets	<u><u>9,368,712</u></u>	<u><u>9,600,399</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable - Operating	4,261,262	3,506,032
Accounts Payable - DCF	235,497	0
Accrued Payroll and Related Expenses	769,586	621,641
Deferred Revenue	2,002,070	2,936,703
Master Trust Liability	183,335	171,198
Total Current Liabilities	<u>7,451,750</u>	<u>7,235,574</u>
Total Liabilities	<u>7,451,750</u>	<u>7,235,574</u>
Net Assets		
Temporarily Restricted:		
Property and Equipment	1,198,743	1,682,113
Unrestricted:		
Undesignated Net Assets	718,219	682,712
Total Net Assets	<u>1,916,962</u>	<u>2,364,825</u>
Total Liabilities and Net Assets	<u><u>\$ 9,368,712</u></u>	<u><u>\$ 9,600,399</u></u>

See accompanying notes.

STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016 AND JUNE 30, 2015
KIDS CENTRAL, INC. - OCALA, FLORIDA

	<u>2016</u>	<u>2015</u>
Revenues		
State and Federal Revenues		
DCF Contracts:		
DCF Services Contract	\$ 47,795,114	\$ 46,835,854
Grants - Other	298,127	435,959
Total State and Federal Revenues	<u>48,093,241</u>	<u>47,271,813</u>
Other Revenues		
Donations	136,749	104,224
Interest Income	330	279
Contractual Service Revenue	1,506,169	1,192,305
Other Revenue	121,885	25,527
Total Other Revenues	<u>1,765,133</u>	<u>1,322,335</u>
Total Revenues	<u>49,858,374</u>	<u>48,594,148</u>
Expenses		
Programs		
Foster Care	4,417,881	3,606,535
Residential Group Care and Emergency Shelter	4,119,796	3,042,711
Adoption	10,015,639	9,900,512
Case Management	19,847,919	19,160,672
Recruitment and Licensing	1,111,301	1,005,089
Independent Living	1,429,481	1,424,263
Diversion and Prevention	5,263,552	5,484,465
Other Grants	1,717,958	1,614,744
Fund-raising	36,920	26,633
Total Programs	<u>47,960,447</u>	<u>45,265,624</u>
Management and General	<u>2,345,790</u>	<u>2,653,056</u>
(Total Expenses)	<u>(50,306,237)</u>	<u>(47,918,680)</u>
Change in Net Assets	(447,863)	675,468
Net Assets, Beginning of Year	<u>2,364,825</u>	<u>1,689,357</u>
Net Assets, End of Year	<u><u>\$ 1,916,962</u></u>	<u><u>\$ 2,364,825</u></u>

See accompanying notes.

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
KIDS CENTRAL, INC. - OCALA, FLORIDA**

2016						
Program Expenses						
	Foster Care	Residential Group Care and Emergency Shelter	Adoption	Case Management	Recruitment and Licensing	Independent Living
Salaries and Benefit Expenses						
Salaries	\$ 0	\$ 0	\$ 184,923	\$ 2,705,163	\$ 647,697	\$ 385,823
Benefits	0	0	37,014	650,534	171,068	96,093
Total Salaries and Benefit Expenses	<u>0</u>	<u>0</u>	<u>221,937</u>	<u>3,355,697</u>	<u>818,765</u>	<u>481,916</u>
Other Expenses						
Out-of-Home Care						
Payments	4,229,168	4,116,851	7,742,413	1,800	0	797,844
Contracted Services	4,171	61	1,815,235	14,827,712	0	0
Flex Funds	0	0	0	6,014	3	0
Staff Recruitment	0	0	0	0	0	0
Training	0	0	908	47,852	3,922	8,579
Travel	(70)	0	3,581	83,129	38,060	25,332
Occupancy and Utilities	0	0	13,538	203,606	57,205	33,618
Telephone and Data Lines	216	0	93,047	251,389	20,370	15,263
Supplies	5	33	644	22,770	3,454	1,572
Postage	0	0	432	6,297	1,812	1,068
Professional Fees	0	0	27,031	168,919	17,637	9,823
Consultants	0	0	1,050	87,400	70,131	0
Insurance	0	0	7,319	106,805	31,615	18,707
Minor Equipment and Maintenance	16,621	0	2,434	98,907	8,696	5,094
Other Expenses	167,770	2,851	29,116	143,311	23,897	18,101
Total Other Expenses	<u>4,417,881</u>	<u>4,119,796</u>	<u>9,736,748</u>	<u>16,055,911</u>	<u>276,802</u>	<u>935,001</u>
Total Expenses Before Depreciation	<u>4,417,881</u>	<u>4,119,796</u>	<u>9,958,685</u>	<u>19,411,608</u>	<u>1,095,567</u>	<u>1,416,917</u>
Depreciation	<u>0</u>	<u>0</u>	<u>56,954</u>	<u>436,311</u>	<u>15,734</u>	<u>12,564</u>
Total Expenses	<u><u>\$ 4,417,881</u></u>	<u><u>\$ 4,119,796</u></u>	<u><u>\$ 10,015,639</u></u>	<u><u>\$ 19,847,919</u></u>	<u><u>\$ 1,111,301</u></u>	<u><u>\$ 1,429,481</u></u>

See accompanying notes.

2016
Program Expenses

Diversion and Prevention	Other Grants	Fundraising	Total	Management and General	Combined Total
\$ 658,358	\$ 943,692	\$ 3,977	\$ 5,529,633	\$ 1,323,866	\$ 6,853,499
167,046	245,066	483	1,367,304	375,406	1,742,710
825,404	1,188,758	4,460	6,896,937	1,699,272	8,596,209
3,500	0	0	16,891,576	0	16,891,576
3,798,184	29,145	0	20,474,508	4,450	20,478,958
36,652	0	0	42,669	0	42,669
0	0	0	0	245	245
4,143	25,289	77	90,770	12,142	102,912
19,828	80,158	1	250,019	23,448	273,467
40,161	69,624	179	417,931	101,137	519,068
21,754	30,297	50	432,386	40,125	472,511
4,122	74,200	30,371	137,171	21,767	158,938
508	4,295	7	14,419	3,496	17,915
71,849	46,192	53	341,504	127,039	468,543
96,087	115,000	0	369,668	126,038	495,706
17,680	29,106	110	211,342	47,961	259,303
21,777	12,181	18	165,728	53,051	218,779
276,645	249	1,594	663,534	33,940	697,474
4,412,890	515,736	32,460	40,503,225	594,839	41,098,064
5,238,294	1,704,494	36,920	47,400,162	2,294,111	49,694,273
25,258	13,464	0	560,285	51,679	611,964
\$ 5,263,552	\$ 1,717,958	\$ 36,920	\$ 47,960,447	\$ 2,345,790	\$ 50,306,237

See accompanying notes.

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
KIDS CENTRAL, INC. - OCALA, FLORIDA**

2015						
Program Expenses						
	Foster Care	Residential Group Care and Emergency Shelter	Adoption	Case Management	Recruitment and Licensing	Independent Living
Salaries and Benefit Expenses						
Salaries	\$ 0	\$ 0	\$ 155,063	\$ 2,520,073	\$ 609,735	\$ 341,530
Benefits	0	0	26,776	596,843	158,982	95,501
Total Salaries and Benefit Expenses	<u>0</u>	<u>0</u>	<u>181,839</u>	<u>3,116,916</u>	<u>768,717</u>	<u>437,031</u>
Other Expenses						
Out-of-Home Care						
Payments	3,451,266	3,028,237	7,480,662	1,200	0	839,695
Contracted Services	516	1,602	2,027,600	14,583,991	0	0
Flex Funds	0	0	0	0	0	0
Staff Recruitment	0	0	0	0	0	0
Training	250	0	736	24,503	4,934	6,697
Travel	696	0	3,668	69,929	30,213	20,117
Occupancy and Utilities	0	0	15,073	189,646	58,704	33,079
Telephone and Data Lines	245	0	86,180	258,767	17,141	13,815
Supplies	138	0	1,100	18,107	3,084	1,850
Postage	0	0	320	5,564	1,617	981
Professional Fees	0	0	24,579	170,018	21,959	12,367
Consultants	10,000	4,442	16,074	166,670	5,300	0
Insurance	0	0	7,435	113,084	32,581	19,253
Minor Equipment and Maintenance	0	0	9,419	66,434	31,601	7,178
Other Expenses	143,424	8,430	12,173	105,219	14,146	20,245
Total Other Expenses	<u>3,606,535</u>	<u>3,042,711</u>	<u>9,685,019</u>	<u>15,773,132</u>	<u>221,280</u>	<u>975,277</u>
Total Expenses Before Depreciation	<u>3,606,535</u>	<u>3,042,711</u>	<u>9,866,858</u>	<u>18,890,048</u>	<u>989,997</u>	<u>1,412,308</u>
Depreciation	<u>0</u>	<u>0</u>	<u>33,654</u>	<u>270,624</u>	<u>15,092</u>	<u>11,955</u>
Total Expenses	<u><u>\$ 3,606,535</u></u>	<u><u>\$ 3,042,711</u></u>	<u><u>\$ 9,900,512</u></u>	<u><u>\$ 19,160,672</u></u>	<u><u>\$ 1,005,089</u></u>	<u><u>\$ 1,424,263</u></u>

See accompanying notes.

2015
Program Expenses

Diversion and Prevention	Other Grants	Fundraising	Total	Management and General	Combined Total
\$ 596,895	\$ 793,285	\$ 4,669	\$ 5,021,250	\$ 1,389,930	\$ 6,411,180
159,557	203,551	628	1,241,838	428,286	1,670,124
756,452	996,836	5,297	6,263,088	1,818,216	8,081,304
3,481	0	0	14,804,541	0	14,804,541
4,088,386	78,302	0	20,780,397	(36)	20,780,361
36,564	0	0	36,564	0	36,564
0	0	0	0	2,290	2,290
1,140	18,581	0	56,841	17,069	73,910
21,071	53,600	0	199,294	23,823	223,117
32,858	54,559	330	384,249	101,407	485,656
15,491	18,593	87	410,319	34,577	444,896
3,317	81,154	19,896	128,646	24,684	153,330
668	3,889	11	13,050	2,844	15,894
74,256	4,610	229	308,018	85,685	393,703
232,427	247,792	0	682,705	228,310	911,015
18,568	27,578	209	218,708	56,832	275,540
20,883	14,833	574	150,922	104,027	254,949
154,902	3,395	0	461,934	120,049	581,983
4,704,012	606,886	21,336	38,636,188	801,561	39,437,749
5,460,464	1,603,722	26,633	44,899,276	2,619,777	47,519,053
24,001	11,022	0	366,348	33,279	399,627
\$ 5,484,465	\$ 1,614,744	\$ 26,633	\$ 45,265,624	\$ 2,653,056	\$ 47,918,680

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016 AND JUNE 30, 2015
KIDS CENTRAL, INC. - OCALA, FLORIDA

	2016	2015
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ (447,863)	\$ 675,468
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	611,964	399,627
(Gain)/Loss on Disposal of Fixed Assets	19,998	10,572
(Gain)/Loss on Investment Valuation Change	(126,504)	5,910
Changes in Assets - Decrease (Increase) and Liabilities -		
Increase (Decrease):		
Grants Receivable	72,522	112,306
Unbilled Grants Receivable	(60,763)	115,379
Prepaid Expenses	229,798	(20,410)
Other Assets	(109)	505
Accounts Payable	990,727	(1,254,178)
Accrued Payroll and Payroll Taxes	147,946	43,705
Deferred Revenue	(934,633)	779,805
Master Trust Liability	12,135	(47,241)
Net Cash Provided by (Used in) Operating Activities	515,218	821,448
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(148,591)	(1,042,342)
Proceeds from Investment	(16,000)	0
Investment in Insurance Captive	(50,000)	0
Net Cash Provided by (Used in) Investing Activities	(214,591)	(1,042,342)
Net Increase (Decrease) in Cash and Cash Equivalents	300,627	(220,894)
Cash and Cash Equivalents, Beginning of Year	6,776,122	6,997,016
Cash and Cash Equivalents, End of Year	\$ 7,076,749	\$ 6,776,122
<u>Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position</u>		
Cash and Cash Equivalents	\$ 6,893,414	\$ 6,604,924
Restricted Cash - Client Trust Funds	183,335	171,198
Total Cash and Cash Equivalents	\$ 7,076,749	\$ 6,776,122

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
KIDS CENTRAL, INC. - OCALA, FLORIDA

Note 1 - Summary of Significant Accounting Principles

Organization

Kids Central, Inc. (the Corporation) is a not-for-profit organization organized under the laws of the State of Florida; receiving most of its revenue from state and federal funds. The Corporation formed March 22, 2002, pursuant to the *Florida Not-for-Profit Organization Act*, Chapter 617, Florida Statutes. The Corporation is a community based care agency that serves as a lead agency in the privatization of foster care services in accordance with Section 409.1671 of the Florida Statutes in Marion, Lake, Citrus, Sumter, and Hernando Counties, Florida. The services provided as a lead agency include:

- Providing Child Protection and Welfare Services to Children
- Procuring the Following Items on Behalf of Children: Foster Care, Emergency Shelter, and Group Home Care
- Helping Abused, Neglected, and Abandoned Children
- Providing Community Education about the Needs and Issues of Children

The Corporation is governed by a Board of Directors made up of individuals who are nominated by a nominating committee and elected by the Board of Directors.

Basis of Accounting

The Corporation follows standards of accounting and financial reporting prescribed for nonprofit organizations. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal, state, and local government grants are recorded as support when performance occurs under the terms of the grant agreement. Revenues are recorded based upon the earlier of when costs are eligible to be billed or eligible expenses are incurred.

Financial Statement Presentation

Net assets of the Corporation and changes therein are classified and reported as follows:

- **Unrestricted Net Assets**—Net assets that are not subject to donor-imposed stipulations.
- **Temporarily Restricted Net Assets**—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Corporation and/or the passage of time.

Recognition of Donor-Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period, 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, temporarily restricted net assets are reclassified to unrestricted net assets. Under this premise the Corporation accounts for its funding from the Florida Department of Children and Families (DCF) as one unrestricted function.

Restricted Cash – Client Trust Funds

Cash restricted and set aside on behalf of clients is not available for operating purposes. These funds are maintained in their own designated bank account.

NOTES TO FINANCIAL STATEMENTS
KIDS CENTRAL, INC. - OCALA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Principles (Continued)

Property and Equipment

The Corporation capitalizes all property and equipment with a cost of greater than \$1,000 and an estimated useful life exceeding one year.

Property and equipment, consisting of office furniture, equipment, and software are recorded at cost if purchased or fair value if donated and depreciated over their estimated useful lives of three to seven years using the straight-line method. Vehicles are recorded at cost and depreciated over their estimated useful lives of seven years using the straight-line method. Repairs and maintenance are expensed as incurred.

Title to property and equipment purchased with DCF funds vest with the DCF upon completion or termination of DCF contracts.

Grants Receivable and Accounts Receivable

Receivables are recorded by the Corporation for funds to be received from various federal and state grants as revenues are earned. The grants receivable balance includes amounts due under the DCF contract for the current fiscal year, including amounts recorded as deferred revenues to be earned subsequent to year-end. An allowance for uncollectible receivables has not been recorded, as all amounts are deemed collectible. It is the Corporation's policy to charge-off uncollectible accounts receivable when management determines the receivable will not be collected.

Donated Space, Supplies, and Services

In accordance with *Accounting Standards Codification* (ASC) 958-605-50-1, *Contributions of Services*, shall be recognized if the services received: (a) create or enhance nonfinancial assets; or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet the above criteria are not recognized.

Certain federal and state grants require matching contributions from the community and the receiving entity. The Corporation treats the matching contributions provided to sub-recipients as matching contributions received by the Corporation. In some instances federal grant matching contribution requirements are met with state funding.

Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

The Corporation files income tax returns in the U.S. federal and state jurisdictions. With few exceptions, the Corporation is no longer subject to U.S. federal, state, and local, or non-U.S. income tax examinations by tax authorities after three years from the due date of the tax return.

Cash and Cash Equivalents

Cash and cash equivalents consist solely of demand accounts in the name of the Corporation. Funds held at year-end and at various times during the year exceeded the limits under the Federal Deposit Insurance Corporation.

NOTES TO FINANCIAL STATEMENTS
KIDS CENTRAL, INC. - OCALA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Principles (Concluded)

Deferred Revenues

The Corporation receives advanced funding through the year from DCF. The unearned portion of those funds is classified as deferred revenues. The balance of deferred revenues may include amounts received and receivable.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (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.

Evaluation of Subsequent Events

The Corporation has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 14, 2016, the date the financial statements were available to be issued.

Statement of Functional Expenses

The Corporation incurs costs that are directly or indirectly allocate-able to its programs. These costs and their allocations have been reported in the statement of functional expenses. Direct costs are allocated directly to the programs through the Corporation's account coding function. Indirect costs are allocated to the programs based on one of the following methodologies: 1) number of full-time equivalent (FTE) positions; 2) number of actual employees; 3) by individual employee; or 4) by the number of children served in the program. The allocations are in accordance with the annual Cost Allocation Plan (CAP) prepared by the Corporation and approved by the DCF.

Note 2 - Property and Equipment

The following is a schedule of property and equipment owned by the Corporation:

	Balance at
	<u>06/30/16</u>
Furniture and Equipment	\$ 2,307,055
Vehicles	1,504,118
(Accumulated Depreciation)	<u>(2,612,430)</u>
Property and Equipment, Net of	
Accumulated Depreciation	<u>\$ 1,198,743</u>
	Balance at
	<u>06/30/15</u>
Furniture and Equipment	\$ 2,844,720
Vehicles	1,579,202
(Accumulated Depreciation)	<u>(2,741,809)</u>
Property and Equipment, Net of	
Accumulated Depreciation	<u>\$ 1,682,113</u>

NOTES TO FINANCIAL STATEMENTS
KIDS CENTRAL, INC. - OCALA, FLORIDA
(Continued)

Note 2 - Property and Equipment (Concluded)

Total depreciation expense for all property and equipment as of June 30, 2016 and 2015, was \$611,964 and \$399,627, respectively.

Note 3 - Property and Equipment Temporarily Restricted for Federal and State Programs

The Corporation owns property and equipment whose acquisition has been funded by various federal and state programs. The use, removal, or replacement of this property and equipment is controlled by the granting agency and title may revert back to the agency in the event the activities of the program are prematurely terminated. The Corporation, as custodian of the property and equipment, maintains the property and equipment as a temporarily restricted net asset where use is restricted for the programs for which it was acquired. All equipment held by the Corporation is considered temporarily restricted.

Note 4 - Noncash Donations and Donated Services

During the fiscal years ended June 30, 2016 and 2015, the Corporation received non-cash donations of new and used clothing, toys, and household items that have not been reflected in the accompanying financial statements. These items were distributed to clients in various programs. Management estimates the fair market value of these non-cash donations to be approximately \$219,737 and \$230,228, respectively.

The Corporation received services from 50 and 33 volunteers for fiscal years ended June 30, 2016 and 2015, respectively. These donated services have not been recognized in the accompanying financial statements because they did not meet the criteria for recognition under GAAP, FASB ASC 958-605-15-4, *Revenue Recognition*. The Corporation estimates the value of these donated services to be approximately \$34,994 and \$4,305 for the years ended June 30, 2016 and 2015, respectively.

The types of services provided by the volunteers contributed to community collaborations, daily operations within the Corporation and to clients indirectly.

Note 5 - Short-term Debt

Lines of Credit

The Corporation has one line of credit payable, which may be used for operating purposes with no outstanding balance, as of June 30, 2016 and 2015. The Corporation has an available \$500,000 of un-advanced funds available on the approved line of credit with Wells Fargo.

Note 6 - Operating Leases

The Corporation has a non-cancelable operating leases for office space through August 2021, and an operating lease for office equipment that runs through January 2017. The office space rental agreement is renewable at the end of the agreement. The non-cancelable operating lease is scheduled as follows:

NOTES TO FINANCIAL STATEMENTS
KIDS CENTRAL, INC. - OCALA, FLORIDA
(Continued)

Note 6 - Operating Leases (Concluded)

		6/30/16						
		Lease	<u>Future Minimum Lease Payments</u>					
<u>Description</u>	<u>Expense</u>	<u>6/30/17</u>	<u>6/30/18</u>	<u>6/30/19</u>	<u>6/30/20</u>	<u>6/30/21</u>	2022-2026	<u>Totals</u>
Office space	\$ 411,118	\$ 520,691	\$ 527,492	\$ 501,647	\$ 465,464	\$ 465,464	\$	77,577
Office Equipment	9,983	1,173	0	0	0	0		0
Totals	<u>\$ 421,101</u>	<u>521,864</u>	<u>\$ 527,492</u>	<u>\$ 501,647</u>	<u>\$ 465,464</u>	<u>\$ 465,464</u>	\$	<u>77,577</u>

		6/30/15			
		Lease	<u>Future Minimum Lease Payments</u>		
<u>Description</u>	<u>Expense</u>	<u>6/30/16</u>	<u>6/30/17</u>	<u>Totals</u>	
Office Space	\$ 371,197	\$ 339,973	\$ 7,500	\$ 347,473	
Office Equipment	7,134	2,936	1,713	4,649	
Totals	<u>\$ 378,331</u>	<u>\$ 342,909</u>	<u>\$ 9,213</u>	<u>\$ 352,122</u>	

Note 7 - Defined Contribution Pension Plan

The Corporation has a 401(k) defined contribution pension plan covering substantially all employees. This plan is the Kids Central, Inc. 401(k) Retirement Plan (the Plan). The Plan is administered by the Corporation and its Trustees are the Corporation's Board of Directors. Authority to amend the Plan rests with the Trustees. The matching contribution was 100% of each participant's contribution, up to 4% of each participating employee's compensation. Employees are immediately vested in the contributions to the Plan. Employer contributions, net of forfeitures (pension expense), to the Plan during the fiscal years ended June 30, 2016 and 2015, was \$174,239 and \$160,318, respectively.

Note 8 - Concentrations

The Corporation receives approximately 96% of its support from DCF (including federal portion). A significant reduction in the level of this support, if this were to occur, may have an effect on the Corporation's programs and activities. The current contract with DCF was signed on July 1, 2011, and amended on May 17, 2016, to extend the contract through June 30, 2021.

Note 9 - Contingencies and Commitments

Contingencies

Grants require the fulfillment of certain conditions set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although this is a possibility, the Board of Directors deems the contingency remote, since by accepting the grants and their terms it has accommodated the objectives of the Corporation to the provisions of the grants.

The Corporation has received from various parties, letters of intent to file lawsuits to which the Corporation would be named as a defendant. The Corporation is not aware that any of these parties has filed a lawsuit and the attorney for these matters is unable to conclude the likelihood of an adverse outcome is probable or remote.

NOTES TO FINANCIAL STATEMENTS
KIDS CENTRAL, INC. - OCALA, FLORIDA
(Concluded)

Note 10 - Investment in CBC Casualty

During 2016, the Corporation and four other Community Based Care Lead Agency corporations each made initial capital contributions of \$50,000 to establish CBC Casualty Insurance, LLC (CBCCI). CBCCI is an insurance captive established for the purpose of issuing deductible buy-back insurance policies and providing risk management support to the participating members. The Corporation and the other four members each own 20% of CBCCI.

Note 11 - Related Parties

The Corporation made payments of \$85,727 and \$230,759 to Marion County Children's Alliance (the Alliance) for various program services during the years ended June 30, 2016 and 2015, respectively. In both years, these funds were utilized by the Alliance for general business operations and after school programs. A member of the Corporation's Board of Directors is the Executive Director for the Alliance.

During 2006, the Corporation became a limited partner in the Community Based Care Partnership, Inc. (the Partnership) for the purpose of bidding on the State of Florida's Child Welfare Prepaid Mental Health Plan. The Partnership was ultimately awarded the agreement, and the Corporation, as limited partners, entered into a prepaid, capitated agreement with the Partnership beginning June 1, 2007. In May of 2014, the Partnership dissolved and Kids Central, Inc. became a limited partner in the CBC Integrated Health, LLC to continue providing care coordination and administrative services for both mental and general health for children in care. The Corporation provided child welfare mental health services under the contract during the years ended June 30, 2016 and 2015, recognizing revenue of \$259,769 and \$160,965, respectively.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*, ISSUED BY THE
COMPTROLLER GENERAL OF THE UNITED STATES;
THE UNIFORM GUIDANCE, AND CHAPTER 10.650,
*RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA***

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

Board of Directors
Kids Central, Inc.
Ocala, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by Comptroller General of the United States, the financial statements of Kids Central, Inc. (the Corporation), a nonprofit organization, which comprise the statements of financial position as of June 30, 2016, 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 November 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 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 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.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors
Kids Central, Inc.
Ocala, Florida

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 14, 2016
Ocala, Florida

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

Board of Directors
Kids Central, Inc.
Ocala, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Kids Central, Inc.'s (the Corporation) compliance with the types of compliance requirements described 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 the Corporation's major federal programs and state projects for the year ended June 30, 2016. The Corporation's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits obtained 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 and the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or the state project occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Certified Public Accountants

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Board of Directors
Kids Central, Inc.
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL
(Concluded)**

Opinion on Each Major Federal Program and State Project

In our opinion, the Corporation 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 June 30, 2016.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program or state project 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, and correct noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected, and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



November 14, 2016
Ocala, Florida

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016
KIDS CENTRAL, INC. - OCALA, FLORIDA**

Grantor/Pass-Through Agency Program Title	CFDA/CFSA Number	Contract Number	Expenditures	Amounts Awarded to Sub-recipients
<u>Federal Awards</u>				
U.S. Department of Health and Human Services				
Passed Through State of Florida Department of Children and Families:				
Promoting Safe and Stable Families	93.556	PJL04	\$ 950,509	\$ 871,787
Temporary Assistance for Needy Families (TANF)	93.558	PJL04	4,087,203	2,786,308
Grants to States for Access and Visitation Programs	93.597	PJL04	33,327	35,697
Chafee Education and Training Vouchers Program (ETV)	93.599	PJL04	45,718	0
Child Welfare Services	93.645	PJL04	1,270,987	906,797
Foster Care (Title IV-E)	93.658	PJL04	9,148,893	3,488,901
Adoption Assistance (Title IV-E)	93.659	PJL04	4,986,227	991,277
Social Service Block Grant	93.667	PJL04	1,386,908	62,186
Child Abuse Neglect State Grant	93.669	PJL04	122,448	294,397
Adoption Incentive Payments	93.603	PJL04	358,269	0
Chafee Foster Care Independence Program	93.674	PJL04	362,050	0
Medical Assistance Program	93.778	PJL04	29,760	0
Adoption Opportunities	93.652	LJ948	393,313	0
U.S. Department of Health and Human Services				
Passed Through Mid Florida Area Agency on Aging				
Elder Options	93.052	00A-16-KCI	19,450	0
U.S. Department of Health and Human Services				
Passed Through Central Healthy Start Coalition				
1915(B) Medicaid Managed Care Waiver	93.778	KCI-1516	318,994	0
Passed Through North Central Healthy Start Coalition				
Affordable Care Act - Maternal, Infant and Early Childhood	93.505	KCI-1516	374,831	0
1915(B) Medicaid Managed Care Waiver	93.778	KCI-1516	203,949	0
Total Federal Awards			24,092,836	9,437,350
<u>State Financial Assistance</u>				
State of Florida Department of Children and Families				
Out of Home Assistance	60.074	PJL04	451,280	320,901
In Home Assistance	60.075	PJL04	298,630	298,630
Independent Living	60.112	PJL04	749,557	369
Community Action Items	60.150	PJ501	25,659	11,123
Sexually Exploited Children	60.138	PJL04	29,300	0
Total State Financial Assistance			1,554,426	631,023
Total Federal Awards and State Financial Assistance			\$ 25,647,262	\$ 10,068,373

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016
KIDS CENTRAL, INC. - OCALA, FLORIDA**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of the Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, *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.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD
PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
KIDS CENTRAL, INC. - OCALA, FLORIDA**

1. Summary of Audit Results

I. Type of Audit Report Issued on Financial Statements

Unmodified Opinion

II. Significant Deficiencies and/or Material Weaknesses in Internal Control

Audit disclosed no instances of significant deficiencies or material weaknesses in internal control.

III. Noncompliance Material to Audited Financial Statements

Audit disclosed no material instances of noncompliance.

IV. Significant Deficiencies and/or Material Weaknesses in Internal Control Over Major Federal Award Programs and State Financial Assistance Projects

Audit disclosed no instances of significant deficiencies or material weaknesses in internal control over major federal award programs and state financial assistance projects.

V. Type of Audit Report Issued on Compliance with Requirements Applicable to Major Federal Awards Programs and State Financial Assistance Projects

Unmodified Opinion

VI. Audit Findings Relative to Title 2 U.S. Code of Federal Regulations, Part 200.516(a), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and Chapter 10.650, *Rules of the Auditor General*

Audit disclosed no audit finding on federal programs and state financial assistance projects relative to Title 2 U.S. Code of Federal Requirements, Part 200.516(a), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and Chapter 10.650, *Rules of the Auditor General*.

VII. Major Federal Programs and Major State Financial Assistance Projects

Federal Programs:

- U.S. Department of Health and Human Services:
 - Promoting Safe and Stable Families – CFDA No. 93.556
 - Adoption Assistance (Title IV-E) – CFDA No. 93.659

State Assistance Projects:

- State of Florida Department of Children and Families:
 - Out of Home Assistance – CSFA No. 60.074
 - Independent Living – CSFA No. 60.112

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD
PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
KIDS CENTRAL, INC. - OCALA, FLORIDA
(Concluded)**

1. **Summary of Audit Results (Concluded)**

VIII. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs/State Assistance Projects

\$750,000 for federal programs and \$300,000 for State awards

IX. Auditee Qualification as Low-risk Auditee

The auditee does qualify as a low-risk auditee per the criteria set forth in Section .530 of The Uniform Guidance. This does not apply to state financial assistance projects.

2. **Findings Related to the Financial Statements Required to be Reported Under Generally Accepted Government Auditing Standards (GAGAS)**

The audit disclosed no findings, which were required to be reported under GAGAS.

3. **Findings and Questioned Costs for Major Federal Programs and State Financial Assistance Projects**

The audit disclosed no findings and question costs for the major federal programs and state financial assistance projects listed above.

4. **Prior Audit Findings**

There were no prior year audit findings.

5. **Management Letter**

No management letter was issued because there were no items related to major state projects required to be reported in the management letter.