Take Stock In Children, Inc.

Financial Statements
and Additional Information
For the Year Ended June 30, 2017

Take Stock in Children, Inc.

Table of Contents

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Take Stock in Children, Inc., (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *Florida Single Audit Act,* respectively, 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 March 14, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 14, 2018

FINANCIAL STATEMENTS

Take Stock in Children, Inc.
Statement of Financial Position
June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets:				
Current assets:				
Cash	$ 1,021,588	$ 852,622	$ -	$ 1,874,210
Due from State of Florida, Department of Education	1,531,253	-	-	1,531,253
Other grants and receivables	316,209	-	-	316,209
Interfund asset (liability)	(120,000)	-	120,000	-
Total current assets	2,749,050	852,622	120,000	3,721,672
Noncurrent assets:				
Investments	63,866	-	670,000	733,866
Prepaid tuition	5,448,843	2,586,670	-	8,035,513
Property and equipment, net	534	-	-	534
Other assets	11,407	-	-	11,407
Interfund asset (liability), net of current portion	(210,000)	-	210,000	-
Total noncurrent assets	5,314,650	2,586,670	880,000	8,781,320
Total assets	$ 8,063,700	$ 3,439,292	$ 1,000,000	$ 12,502,992
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	$ 158,052	$ -	$ -	$ 158,052
Amounts due to subrecipients	1,362,907	-	-	1,362,907
Deferred revenue	241,872	-	-	241,872
Total current liabilities	1,762,831	-	-	1,762,831
Noncurrent liabilities:				
Deferred revenue	1,055,598	-	-	1,055,598
Total noncurrent liabilities	1,055,598	-	-	1,055,598
Total liabilities	2,818,429	-	-	2,818,429
Net Assets:				
Unrestricted	5,245,271	-	-	5,245,271
Temporarily restricted	-	3,439,292	-	3,439,292
Permanently restricted	-	-	1,000,000	1,000,000
Total net assets	5,245,271	3,439,292	1,000,000	9,684,563
Total liabilities and net assets	$ 8,063,700	$ 3,439,292	$ 1,000,000	$ 12,502,992

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

Take Stock in Children, Inc.
Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Change in Net Assets:				
Public support and revenues:				
Grants from the State of Florida	$ 6,125,000	$ -	$ -	$ 6,125,000
Contributions and grants from private sources	915,202	2,981,420	-	3,896,622
Federal government grants	1,090,528	-	-	1,090,528
Donated goods, facilities and services	384,988	-	-	384,988
Investment income, net	99,591	-	-	99,591
Special events	59,692	-	-	59,692
Total public support and revenues	8,675,001	2,981,420	-	11,656,421
Net Assets Released From Restrictions:				
Satisfaction of purpose restrictions	283,020	(283,020)	-	-
Satisfaction of timing restrictions	20,000	(20,000)	-	-
Total net assets released from restrictions	303,020	(303,020)	-	-
Total public support, revenues and net assets released from restrictions	8,978,021	2,678,400	-	11,656,421
Expenses:				
Program services:				
Scholarship and mentoring programs	8,764,642	-	-	8,764,642
Supporting services:				
Management and administration	462,784	-	-	462,784
Fundraising	79,165	-	-	79,165
Total supporting services	541,949	-	-	541,949
Total expenses	9,306,591	-	-	9,306,591
Change in net assets	(328,570)	2,678,400	-	2,349,830
Net Assets, July 1, 2016	5,573,841	760,892	1,000,000	7,334,733
Net Assets, June 30, 2017	$ 5,245,271	$ 3,439,292	$ 1,000,000	$ 9,684,563

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

Take Stock in Children, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2017

		Supporting Services		
	Scholarship and Mentoring Programs	Management and Administration	Fundraising	Total
Mentoring and advocacy	$ 4,899,950	$ -	$ -	$ 4,899,950
Salaries, payroll taxes and benefits	1,550,682	159,580	53,193	1,763,455
Scholarships	833,449	-	-	833,449
Professional services	442,108	135,597	-	577,705
Office and other expenses	405,127	70,364	-	475,491
Professional development	227,172	20,248		247,420
Occupancy	223,398	7,154	-	230,552
Marketing and donor development	44,981	42,212	25,972	113,165
Travel and conferences	92,007	18,250	-	110,257
Provision for depreciation and amortization	34,364	606	-	34,970
Insurance	11,404	8,773	-	20,177
	$ 8,764,642	$ 462,784	$ 79,165	$ 9,306,591

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

Take Stock in Children, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2017

Cash Flows from Operating Activities:		
Change in net assets	$	2,349,830
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for depreciation and amortization		34,970
Realized and unrealized (gain) on investment, net		(98,813)
Contributed investments		(20,228)
(Increase) decrease in assets:		
Promise to give		20,000
Due from State of Florida, Department of Education		(1,531,253)
Other grants and receivables		(141,411)
Prepaid tuition		(3,050,737)
Other assets		1,884
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		(62,621)
Amounts due to subrecipients		159,023
Deferred revenue		1,181,193
Net cash provided by (used in) operating activities		(1,158,163)
Cash Flows from Investing Activities:		
Repayments to endowment fund		(120,000)
Proceeds from sales of investments, net		92,874
Purchases of investments, net		(13,182)
Net cash provided by (used in) investing activities		(40,308)
Net increase (decrease) in cash		(1,198,471)
Cash, July 1, 2016		3,072,681
Cash, June 30, 2017	$	1,874,210

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

Note 1 - Nature of Organization and Significant Accounting Policies

Take Stock in Children, Inc. (the "Organization") is an independent nonprofit corporation incorporated in the State of Florida in August, 1995. The primary purpose of the Organization is to provide post-secondary scholarships, volunteer mentors, and college and career ready program services to deserving low-income children beginning in middle school through high school graduation and into college. To achieve its purpose, the Organization has established direct management control of or has entered into program agreements with (45) programs covering sixty-seven (67) Florida counties, in order to build a network of regional and statewide partners that provide scholarship funds, volunteer mentors and programmatic services, as well as advocate awareness. The Organization's fundraising efforts are concentrated in the State of Florida.

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

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

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net assets: The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, which are defined as follows:

> Unrestricted net assets - net assets available without restrictions imposed by the donor.
>
> Temporarily restricted net assets - net assets subject to timing and/or purpose restrictions imposed by the donor. The conditions of these restrictions are met by the passage of time or by actions taken by the Organization in compliance with donor stipulations.
>
> Permanently restricted net assets - net assets subject to donor imposed restrictions that the Organization maintains the principal of the contributions in perpetuity.

Restricted and unrestricted revenue and support: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Promises to give: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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

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

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

From time to time, the Organization receives direct donations of scholarships, and those scholarships may not participate in the STARS program. In such circumstances, these scholarships are wholly owned by the Organization.

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

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Donated property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time. For the year ending June 30, 2017, the Organization received no donated property and equipment.

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

Deferred revenue: Deferred revenue represents the excess of contract receipts and billings over allowable contract expenses. In addition, grant and contract revenue that is not recognized because the allowable costs, as defined by the individual grant or contract, have not been incurred is considered deferred revenue.

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

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

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

The Organization utilizes various pamphlets, brochures and informational methods to inform the general public of their activities and to solicit funds. These costs are charged to fundraising.

Income taxes: The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (the IRC) and is therefore exempt from federal income taxation under Section 501(a) of the IRC. No provision for income taxes was recorded for the year ended June 30, 2017 since the Organization had no significant unrelated business income. The Organization is not a private foundation under section 509(a)(1) of the IRC.

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

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Date of management review: The Organization has evaluated its June 30, 2017 financial statements for subsequent events through March 14, 2018, the date the financial statements were available to be issued.

Note 2 - Endowment Fund and Permanently Restricted Net Assets

The Helios Education Foundation previously contributed $ 1,000,000 to an operating endowment fund, with income from the endowment to be utilized for the general support of the Organization. Accordingly, the $ 1,000,000 original principal amount of the endowment is presented as permanently restricted net assets, with the annual investment income and changes in fair value reported under change in unrestricted net assets. In November 2015, the Organization received authorization from the Helios Education Foundation to withdraw up to $ 450,000 against this endowment fund to assist with the Organization's temporary working capital needs. In April 2016, a draw for $ 450,000 was made from the endowment fund. Management of the Organization and the Helios Education Foundation have agreed to the following repayment schedule: $ 120,000 annually from the date of the draw with a final $ 90,000 payment to be made by December 2019. The current balance of the advance is $330,000 for the year ending June 30, 2017. This balance is reflected as an interfund asset (liability) in the accompanying Statement of Financial Position.

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

At June 30, 2017, Endowment Fund assets consist of the following:

	Cost	Fair Value
Pooled investments (Note 3)	$ 670,000	$ 733,866
Interfund asset	330,000	330,000
	$ 1,000,000	$ 1,063,866

The following table presents the endowment-related balances and activities by net asset classification as of and for the year ended June 30, 2017:

	Unrestricted	Donor Restricted Permanently Restricted	Total Net Endowment Assets
Investment returns:			
Net depreciation (realized and unrealized)	$ 98,813	$ -	$ 98,813
Interest and dividend income	13,271	-	13,271
Less: Investment fees and other charges, net	(12,735)	-	(12,735)
Total investment returns	99,349	-	99,349

Note 2 - Endowment Fund and Permanently Restricted Net Assets (continued)

	Unrestricted	Donor Restricted Permanently Restricted	Total Net Endowment Assets
Transfers in and contributions	20,228	-	20,228
Transfers out and expenditures	(80,228)	-	(80,228)
Total change in endowment funds	39,349	-	39,349
Endowment net assets, beginning of the year	24,517	1,000,000	1,024,517
Endowment net assets, end of the year	$ 63,866	$ 1,000,000	$ 1,063,866

Spending Policy: Under the terms of the agreement with the Foundation, both the principal and earnings of the fund are currently available to the Organization. The Organization; however, is required to maintain compliance with the Helios Education Foundation's endowment/donation terms.

Funds with Deficiencies: From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. As of June 30, 2017, there were no deficits related to this endowment fund.

Note 3 - Investments

The Organization states investments at estimated fair value. At June 30, 2017, the entire balance consisted of pooled investments equal to $ 733,866 (Note 2).

These investments are reported in the accompanying Statement of Financial Position as noncurrent assets. All investments at June 30, 2017 are classified as noncurrent due to donor imposed restrictions.

Investment income (losses) relative to investments, and other cash, held by the Organization for the year ended June 30, 2017, is comprised of:

Net realized and unrealized gain	$ 98,813
Interest and dividend income	13,513
Investment fees and other charges	(12,735)
	$ 99,591

Note 3 – Investments (continued)

Fair Value Measurements: In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, the Organization provides certain required disclosures. ASC No. 820 establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

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

- Level 1 - Inputs that are observable and reflect quoted market prices (unadjusted) for identical instruments traded in active markets.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Accounting Standards Update (ASU) 2009-12 *Guidance for Measuring Fair Value of Certain Alternative Investments* allows the classification of investments that can be redeemed at a readily determinable net asset value within the near term as Level 2 and all others as Level 3. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. An investment's classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. At June 30, 2017, the Organization held all level 2 investments with a fair market value of $ 733,866.

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2017:

Computer, software and other equipment	$	618,231
Leasehold improvements		19,829
Less: Accumulated depreciation and amortization		(637,526)
	$	534

Depreciation and amortization expense totaled $ 34,970 for the year ended June 30, 2017.

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30, 2017:

Scholarships	$	2,907,877
Leaders for life program		531,415
	$	3,439,292

Note 6 - Donated Goods, Facilities and Services

Donated goods, facilities and services for the year ended June 30, 2017 are comprised of the following:

Occupancy	$	194,785
Professional services		110,073
Special events services		41,230
Mentoring and advocacy		23,950
Office and other expenses		14,950
	$	384,988

Note 7 - Employee Benefit Plan

The Organization maintains a 403(b) employee benefit plan (the "Plan") covering all employees. Under the Plan, all employees are eligible to participate after 1,000 hours of employment. The Organization is required to match the employees' contributions up to a maximum of 6% of each employee's salary. The Organization recorded contributions to the Plan of approximately $ 35,000 for year ended June 30, 2017.

Note 8 - Related Party Transactions

During the year ended June 30, 2017, the Organization recorded contributions from board members, and their related entities, totaling approximately $ 285,000.

Note 9 - Commitments

The Organization leases office space payable in monthly installments of approximately $ 3,000 under a month to month, cancellable arrangement. The Organization also leases office equipment under the terms of a noncancelable operating lease, at approximately $ 350 per month plus excess usage charges, expiring in April 2018.

Estimated future minimum lease payments under the current lease arrangements for which there is a future commitment are expected to be approximately as follows:

Years Ending June 30,		
2018	$	3,500

Note 9 - Commitments (continued)

For the year ended June 30, 2017, rent expense in connection with these agreements amounted to approximately $ 40,000. In addition, the Organization recorded donated facilities amounting to approximately $ 195,000 for program offices located in Broward County and Miami-Dade County.

Subsequent to June 30, 2017, the existing lease for office space was cancelled. The Organization then entered into a lease agreement for office space for approximately $ 2,000 per month plus any applicable fees.

Note 10 - Contingencies

Grants and Contracts: The Organization receives financial assistance from federal, state and local agencies in the form of grants and contracts. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by grantor agencies. As a result of such audits, the grantor agency may require that amounts be returned. As of June 30, 2017, the Organization had no amounts required to be returned on grants and contracts as a result of noncompliance.

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

Legal matters: The Organization is subject to claims and litigation arising in the normal course of operations. The Organization believes the outcome of any such claims, if any, will not be material to its financial position.

Note 11 - Supplemental Cash Flow Information

Supplemental Disclosure of Cash Flow Information:

Cash received during the year for -	
Interest and divided income	$ 13,513

SUPPLEMENTAL INFORMATION

Take Stock in Children, Inc.
Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Eighteen Month Period Ended June 30, 2017

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number		Expenditures		Transfers to Subrecipients
Federal Awards:						
Direct Programs:						
Corporation for National and Community Service :						
Volunteers in Service to America	94.013	14VSSFL002	$	8,000	$	-
U.S. Department of Education:						
Education Innovation and Research (formerly Investing in Innovation (i3) Fund)	84.411	U411C140021		1,011,677		-
TRIO - Upward Bound	84.047	P047A121324		387,375		-
Indirect Programs:						
U.S. Department of Health and Human Services:						
Passed through Career Source South Florida - Temporary Assistance for Needy Families	93.558	WS-YS-TS-PY'15-02-01		592,023		-
		WS-YS-TS-PY'15-02-02		1,058,098		-
		WS-YS-SP-PY'16-02-00		174,570		-
		93.558 Total		1,824,691		-
Total Expenditures of Federal Awards			$	3,231,743	$	-
State Awards:						
Direct Project:						
State of Florida Department of Education:						
Mentoring/Student Assistance Initiatives	48.068	167-96445-6Q001	$	3,135,015	$	2,384,593
		167-96445-7Q001		6,125,000		4,788,862
		48.068 Total		9,260,015		7,173,455
Total Expenditures of State Financial Assistance			$	9,260,015	$	7,173,455

See notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the grant activity of Take Stock in Children, Inc., (the "Organization"). The information in the Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2 – 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, Chapter 10.650, *Rules of the Auditor General* and/or OMB Circular A-122, *Cost Principles for Non-Profit Organization*s, wherein certain types of expenditures are not allowable or are limited as to reimbursement, as applicable.

Note 3 – Indirect Cost Rate

As applicable, the Organization has elected to use the Modified Total Direct Cost rate of 10.2-percent, indirect cost, rate allowed under the Uniform Guidance.

Note 4 - Contingency

Grant and contract revenue is subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor/contract agencies would become a liability of the Organization. In the opinion of management, all grant and contract expenditures are in compliance with the terms of the agreements and applicable federal and state laws and other regulations.

Note 5 – Reconciliation to Financial Statements

Effective with the six-month fiscal period beginning January 1, 2016, the Organization changed its fiscal year end from December 31 to June 30. Accordingly, the accompanying Schedule includes the grant activity of the Organization for the eighteen month period from January 1, 2016 through June 30, 2017.

INTERNAL CONTROLS
AND COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Take Stock in Children, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 14, 2018

INDEPENDENT AUDITOR'S 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*

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

Report on Compliance for Each Major Federal Program and State Project

We have audited Take Stock in Children, Inc.'s (a nonprofit organization) (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and state projects for the eighteen month period ended June 30, 2017. The Organization'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.

Management's Responsibility

Management is responsible for compliance with the federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principals, 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,* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and/or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the 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 eighteen month period ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state 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 Organization's internal control over compliance.

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

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

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.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 14, 2018

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Take Stock in Children, Inc.

2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of Take Stock in Children, Inc. were disclosed during the audit.

4. No material weaknesses relating to the audit of the major federal program and state project are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*.

5. The independent auditor's report on compliance for the major federal program and state project for Take Stock in Children, Inc. expresses an unmodified opinion.

6. There are no findings relative to the major federal program and state project for Take Stock in Children, Inc. reported in Part C of this schedule.

7. The program/project tested as a major program/project are as follows:

Federal Program:	**CFDA Number**
U.S. Department of Health and Human Services: Passed through Career Source South Florida – Temporary Assistance for Needy Families	93.558
State Project:	**CSFA Number**
State of Florida Department of Education: Mentoring/Student Assistance Initiatives	48.068

8. The threshold for distinguishing Type A and Type B programs/projects was $ 750,000 for major federal programs and $ 300,000 for major state projects.

9. Take Stock in Children, Inc. was determined to be a low risk auditee pursuant to the Uniform Guidance.

B. Findings - Financial Statement Audit

No matters to be reported.

C. Findings and Questioned Costs - Major Federal Program and Major State Project

No matters to be reported.

D. Other Issues

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

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

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