Take Stock In Children, Inc.

Financial Statements
and Additional Information
For the Six-Month Period Ended June 30, 2016

Take Stock in Children, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Take Stock in Children, Inc., (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the six-month period 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, 2016, and the changes in its net assets and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2017, 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
May 8, 2017

FINANCIAL STATEMENTS

Take Stock in Children, Inc.
Statement of Financial Position
June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets:				
Current assets:				
Cash and cash equivalents	$ 2,331,789	$ 740,892	$ -	$ 3,072,681
Promise to give	-	20,000	-	20,000
Other grants and receivables	174,798	-	-	174,798
Interfund asset (liability)	(120,000)	-	120,000	-
Total current assets	2,386,587	760,892	120,000	3,267,479
Noncurrent assets:				
Investments	24,517	-	550,000	574,517
Prepaid tuition	4,984,776	-	-	4,984,776
Property and equipment, net	35,504	-	-	35,504
Other assets	13,291	-	-	13,291
Interfund asset (liability), net of current portion	(330,000)	-	330,000	-
Total noncurrent assets	4,728,088	-	880,000	5,608,088
Total assets	$ 7,114,675	$ 760,892	$ 1,000,000	$ 8,875,567
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	$ 220,673	$ -	$ -	$ 220,673
Amounts due to subrecipients	1,203,884	-	-	1,203,884
Deferred revenue	116,277	-	-	116,277
Total liabilities	1,540,834	-	-	1,540,834
Net Assets:				
Unrestricted	5,573,841	-	-	5,573,841
Temporarily restricted	-	760,892	-	760,892
Permanently restricted	-	-	1,000,000	1,000,000
Total net assets	5,573,841	760,892	1,000,000	7,334,733
Total liabilities and net assets	$ 7,114,675	$ 760,892	$ 1,000,000	$ 8,875,567

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

Take Stock in Children, Inc.
Statement of Activities
For the Six-Month Period Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Change in Net Assets:				
Public support and revenues:				
Grants from the State of Florida	$ 3,135,015	$ -	$ -	$ 3,135,015
Contributions from private sources	330,236	187,352	-	517,588
Federal government grants	1,085,618	-	-	1,085,618
Donated goods, facilities, services and scholarships	219,203	-	-	219,203
Special events	122,289	-	-	122,289
Investment income, net	38,599	-	-	38,599
Total public support and revenues	4,930,960	187,352	-	5,118,312
Net Assets Released From Restrictions:				
Satisfaction of purpose restrictions	271,922	(271,922)	-	-
Satisfaction of timing restrictions	40,167	(40,167)	-	-
Total net assets released from restrictions	312,089	(312,089)	-	-
Total public support, revenues and net assets released from restrictions	5,243,049	(124,737)	-	5,118,312
Expenses:				
Program services:				
Scholarship and mentoring programs	4,490,829	-	-	4,490,829
Supporting services:				
Management and administration	329,665	-	-	329,665
Fundraising	58,371	-	-	58,371
Total supporting services	388,036	-	-	388,036
Total expenses	4,878,865	-	-	4,878,865
Change in net assets	364,184	(124,737)	-	239,447
Net Assets, January 1, 2016	5,209,657	885,629	1,000,000	7,095,286
Net Assets, June 30, 2016	$ 5,573,841	$ 760,892	$ 1,000,000	$ 7,334,733

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

Take Stock in Children, Inc.
Statement of Functional Expenses
For the Six-Month Period Ended June 30, 2016

		Supporting Services		
	Scholarship and Mentoring Programs	Management and Administration	Fundraising	Total
Mentoring and advocacy	$ 2,470,939	$ -	$ -	$ 2,470,939
Salaries, payroll taxes and benefits	889,840	113,080	37,693	1,040,613
Scholarships	428,405	-	-	428,405
Professional services	288,365	104,195	-	392,560
Office and other expenses	122,899	67,988	-	190,887
Occupancy	97,445	8,703	-	106,148
Provision for depreciation and amortization	102,809	527	-	103,336
Marketing and donor development	39,426	19,238	20,678	79,342
Travel and conferences	46,225	11,578	-	57,803
Insurance	4,476	4,356	-	8,832
	$ 4,490,829	$ 329,665	$ 58,371	$ 4,878,865

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

Take Stock in Children, Inc.
Statement of Cash Flows
For the Six-Month Period Ended June 30, 2016

Cash Flows from Operating Activities:		
Change in net assets	$	239,447
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for depreciation and amortization		103,336
Realized and unrealized (gain) on investment, net		(38,680)
Contributed investments		(20,202)
Contributed scholarships		(41,000)
(Increase) decrease in assets:		
Promise to give		39,967
Other grants and receivables		10,821
Prepaid tuition		(333,700)
Other assets		(7,853)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		149
Amounts due to subrecipients		(14,767)
Deferred revenue		(78,738)
Net cash provided by (used in) operating activities		(141,220)
Cash Flows from Investing Activities:		
Proceeds from draws on endowment fund investments		450,000
Proceeds from sales of investments, net		84,656
Purchases of investments		(8,138)
Net cash provided by (used in) investing activities		526,518
Net increase (decrease) in cash and cash equivalents		385,298
Cash and Cash Equivalents, January 1, 2016		2,687,383
Cash and Cash Equivalents, June 30, 2016	$	3,072,681

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.

Change of fiscal year end: During the fiscal year ended December 31, 2015, the Board of Directors approved a change in the Organization's fiscal year end from December 31 to June 30. The change in the fiscal year end was executed to better align the Organization with certain grant budget periods. Accordingly, the accompanying financial statements, along with the related notes are prepared for the period from January 1, 2016 through June 30, 2016.

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

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

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

Investments: 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.

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.

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 six-month period ending June 30, 2016, the Organization received no donated property and equipment.

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

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

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

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

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

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

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

Income taxes: The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (the IRC) and is therefore exempt from federal income taxation under Section 501(a) of the IRC. No provision for income taxes was recorded for the six-month period ended June 30, 2016 since the Organization had no significant unrelated business income. The Organization is not a private foundation under section 509(a)(1) of the IRC.

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

Date of management review: The Organization has evaluated its June 30, 2016 financial statements for subsequent events through May 8, 2017, 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. 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, 2016, Endowment Fund assets consist of the following:

	Cost	Fair Value
Pooled investments (Note 3)	$ 550,000	$ 574,517
Interfund asset	450,000	450,000
	$ 1,000,000	$ 1,024,517

The following table presents the endowment-related balances and activities by net asset classification as of and for the six-month period ended June 30, 2016:

	Unrestricted	Donor Restricted Permanently Restricted	Total Net Endowment Assets
Investment returns:			
Net depreciation (realized and unrealized)	$ 38,680	$ -	$ 38,680
Interest and dividend income	8,138	-	8,138
Less: Investment fees and other charges, net	(8,333)	-	(8,333)
Total investment returns	38,485	-	38,485
Transfers in and contributions	20,202	-	20,202
Transfers out and expenditures	(76,323)	-	(76,323)
Total change in endowment funds	(17,636)	-	(17,636)
Endowment net assets, beginning of the year	42,153	1,000,000	1,042,153
Endowment net assets, end of the year	$ 24,517	$ 1,000,000	$ 1,024,517

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

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, 2016, there were no deficits related to this endowment fund.

Note 3 - Investments

The Organization states investments at estimated fair value. At June 30, 2016, the entire balance consisted of pooled investments equal to $ 574,517 (Note 2).

These investments are reported in the accompanying Statement of Financial Position as noncurrent assets. All investments at June 30, 2016 are classified as noncurrent due to donor imposed restrictions.

Investment income (losses) relative to investments, and other cash equivalents, held by the Organization for the six-month period ended June 30, 2016, is composed of:

Net realized and unrealized gain	$	38,680
Interest and dividend income		8,252
Investment fees and other charges		(8,333)
	$	38,599

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

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

Note 3 – Investments (continued)

- 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, 2016, the Organization held all level 2 investments with a fair market value of $ 574,517.

Note 4 - Promises to Give

Previously, the Organization received two $ 60,000 pledge receivables to be fully collected over the course of three years, from individuals, for general-unrestricted purposes. During the six-month period ended June 30, 2016, the Organization collected $ 20,000 ($ 60,000 was collected in prior years) from the pledges. During the current period management determined $ 20,000 of the outstanding pledge receivable to be uncollectible and was written off. The remaining amount is shown as temporarily restricted promises to give.

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2016:

Computer, software and other equipment	$	620,019
Leasehold improvements		19,829
Less: Accumulated depreciation and amortization		(604,344)
	$	35,504

Depreciation and amortization expense totaled $ 103,336 for the six-month period ended June 30, 2016.

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30, 2016:

Leaders for life program	$	607,845
Scholarships		133,047
Promises to give, time restrictions		20,000
	$	760,892

Note 7 - Donated Goods, Facilities, Services and Scholarships

Donated goods, facilities, services and scholarships for the six-month period ended June 30, 2016 are comprised of the following:

Occupancy	$	88,743
Scholarships		41,000
Special events services		30,250
Professional services		30,225
Mentoring and advocacy		23,280
Office and other expenses		5,705
	$	219,203

Note 8 - 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 $ 25,000 for the six-month period ended June 30, 2016.

Note 9 - Related Party Transactions

During the six-month period ended June 30, 2016, the Organization recorded contributions from board members, and their related entities, totaling approximately $ 140,000.

Note 10 - 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.

Note 10 - Commitments (continued)

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,		
2017	$	4,200
2018	$	1,400

For the six-month period ended June 30, 2016, rent expense in connection with these agreements amounted to approximately $ 20,000. In addition, the Organization recorded donated facilities amounting to approximately $ 89,000 for program offices located in Broward County and Miami-Dade County.

Note 11 - 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. In certain instances, the grantor agency may increase its grant of funds to the Organization to offset amounts which would otherwise be repayable based on audits. As of June 30, 2016, 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 12 - Supplemental Cash Flow Information

Supplemental Disclosure of Cash Flow Information for the six-month period ended June 30, 2016:

Cash received for Interest and dividend income	$	8,252

INTERNAL CONTROLS AND COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Take Stock in Children, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the six-month period then ended, and the related notes to the financial statements, and have issued our report thereon dated May 8, 2017.

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
May 8, 2017