Kid Net Foundation

Financial Statements

August 31, 2014 and 2013

Kid Net Foundation

Financial Statements

August 31, 2014 and 2013

Table of Contents

ALBRIGHT, HILL & SUMPTER
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

Independent Auditors' Report

Board of Directors
Kid Net Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Kid Net Foundation (a non-profit organization), which comprise the statements of financial position as of August 31, 2014, and 2013 and the related Statements of Activities, Functional Expenses, Cash Flows and the related notes to the financial statements for the years then ended.

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 the financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of 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

12160 North Abrams Road
Suite 412
Dallas, Texas 75243
972.270.5452
972.686.4216 Fax

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 Kid Net Foundation, as of August 31, 2014 and 2013, 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.

Other Matters

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/State Awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 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 December 10, 2014, on our consideration of Kid Net Foundation's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grants 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 and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kid Net Foundation's internal control over financial reporting and compliance.

In accordance with the Office of Management and Budget (OMB) Circular A–133, *Audits of States, Local Governments and Non-Profit Organizations,* we have also issued our report dated December 10, 2014 on our consideration of Kid Net Foundation's compliance and internal control over compliance. The purpose of that report is to express an opinion on compliance with the types of compliance requirements required by OMB Circular A–133 that could have a direct and material effect on each of Kid Net Foundation's major programs and to describe the scope of our testing of internal control over compliance and the results of that testing, and not to provide an opinion on internal control over compliance.

Albright, Hill & Sumpter, PC
Certified Public Accountants

Albright, Hill & Sumpter

December 10, 2014

Kid Net Foundation

Statements of Financial Position

August 31, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 820,423	$ 532,202
Contract fees receivable	252,262	188,170
Pledges receivable	-	15,000
Prepaid expenses	23,667	23,071
Total current assets	1,096,352	758,443
Property, plant, and equipment (net of accumulated depreciation of $2,163,556 and $1,857,969)	7,291,803	7,597,390
Investments	184,321	167,680
Other assets	425	425
Total assets	$ 8,572,901	$ 8,523,938
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 100,635	$ 100,392
Deferred revenue	33,917	-
Total current liabilities	134,552	100,392
Net assets		
Unrestricted	8,159,228	8,210,096
Temporarily restricted	190,021	124,350
Permanently restricted	89,100	89,100
Total net assets	8,438,349	8,423,546
Total liabilities and net assets	$ 8,572,901	$ 8,523,938

The accompanying notes are an integral part of this statement.

Kid Net Foundation
Statement of Activities
For the year ended August 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues				
Contributions and grants	$ 815,097	$ 68,349	$ -	$ 883,446
Special events	166,446	-	-	166,446
Contract	1,600,917	-	-	1,600,917
Investment income, net	(383)	17,028	-	16,645
Other	36,000	-	-	36,000
Net assets released from restrictions	19,706	(19,706)	-	-
Total support and revenues	2,637,783	65,671	-	2,703,454
Expenses				
Program services	2,211,140	-	-	2,211,140
Supporting services				
Management and general	171,043	-	-	171,043
Fund raising	306,468	-	-	306,468
Total expenses	2,688,651	-	-	2,688,651
Change in net assets	(50,868)	65,671	-	14,803
Net assets, beginning of year	8,210,096	124,350	89,100	8,423,546
Net assets, end of year	$ 8,159,228	$ 190,021	$ 89,100	$ 8,438,349

The accompanying notes are an integral part of this statement.

Kid Net Foundation
Statement of Activities
For the year ended August 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues				
Contributions and grants	$ 717,683	$ 11,369	$ -	$ 729,052
Special events	124,663	-	-	124,663
Contract	1,141,850	-	-	1,141,850
Investment income, net	(656)	11,444	-	10,788
Other	29,500	-	-	29,500
Net assets released from restrictions	71,385	(71,385)	-	-
Total support and revenues	2,084,425	(48,572)	-	2,035,853
Expenses				
Program services	1,918,986	-	-	1,918,986
Supporting services				
Management and general	146,894	-	-	146,894
Fund raising	262,653	-	-	262,653
Total expenses	2,328,533	-	-	2,328,533
Change in net assets	(244,108)	(48,572)	-	(292,680)
Net assets, beginning of year	8,454,204	172,922	89,100	8,716,226
Net assets, end of year	$ 8,210,096	$ 124,350	$ 89,100	$ 8,423,546

The accompanying notes are an integral part of this statement.

Kid Net Foundation
Statement of Functional Expenses
For the year ended August 31, 2014

	Child Care	General	Fund Raising	Total
Staffing expense	$ 1,460,648	$ 101,897	$ 222,996	$ 1,785,541
Travel	30,652	1,001	3,823	35,476
Supplies	153,246	1,071	3,016	157,333
Occupancy	150,421	18,390	12,417	181,228
Contract services	78,241	8,463	14,045	100,749
Other	78,284	23,163	21,289	122,736
Total before depreciation	1,951,492	153,985	277,586	2,383,063
Depreciation	259,648	17,058	28,882	305,588
Total expense	$ 2,211,140	$ 171,043	$ 306,468	$ 2,688,651

The accompanying notes are an integral part of this statement.

Kid Net Foundation
Statement of Functional Expenses
For the year ended August 31, 2013

	Child Care	General	Fund Raising	Total
Staffing expense	$ 1,271,648	$ 88,786	$ 188,885	$ 1,549,319
Travel	33,503	884	3,590	37,977
Supplies	89,279	1,607	3,201	94,087
Occupancy	160,785	16,802	12,913	190,500
Contract services	38,859	12,230	13,356	64,445
Other	61,954	9,317	12,790	84,061
Total before depreciation	1,656,028	129,626	234,735	2,020,389
Depreciation	262,958	17,268	27,918	308,144
Total expense	$ 1,918,986	$ 146,894	$ 262,653	$ 2,328,533

The accompanying notes are an integral part of this statement.

Kid Net Foundation
Statements of Cash Flows
For the years ended August 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 14,803	$ (292,680)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Reinvested investment income	(6,074)	(2,267)
Unrealized (gain)	(10,568)	(8,716)
Depreciation	305,588	308,144
Change in accounts receivable	(49,092)	(53,878)
Change in prepaid expense	(596)	3,018
Change in current liabilities	34,160	28,409
Net cash provided by (used in) operating activities	288,221	(17,970)
Cash flows from investing activities		
Cash paid for equipment and improvements	-	(10,521)
Net cash (used in) investing activities	-	(10,521)
Net increase (decrease) in cash and cash equivalents	288,221	(28,491)
Cash and cash equivalents, beginning of year	532,202	560,693
Cash and cash equivalents, end of year	$ 820,423	$ 532,202
Supplemental information		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

The accompanying notes are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Kid Net Foundation dba Jonathan's Place (the Organization) was established in 1991. The mission of the Organization is to provide a safe, loving home and specialized services for children who have been abused, abandoned or neglected. These are children age newborn to 17 years that have been removed from their home by Child Protective Services (CPS). The Organization's mission is fulfilled through delivery and implementation of the following programs:

Emergency Shelter
Foster & Adoptive Family Program
Girls Therapeutic Program
Transitional Living
Adoption Program
Preschool Program
Education & Training of Staff & Foster Parents

These programs give each child the ability to receive a continuum of care without disruption in services.

The campus includes six buildings located on a 6-acre tract of land in Northeast Dallas County. The campus has three cottages – two with 16 beds each and one with 12 beds for a total bed capacity of 44.

Basis of Presentation

The financial statements have been prepared using the accrual method of accounting and conform to accounting principles generally accepted in the United States of America (GAAP). As required by GAAP, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes therein are classified as follows:

> Unrestricted net assets – Net assets not subject to donor-imposed stipulations.
>
> Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Accounting Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates and assumptions primarily relate to valuation as of the date of the financial statements. Accordingly, actual results could differ from these estimates and assumptions. The methods used in making accounting estimates are believed by management to be reasonable and have been consistently applied.

Revenue Recognition

A. Grants, Pledges and Contributions

The Organization reports gifts of cash and other assets as restricted support when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity, the assets are reported as permanently restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or program restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Net assets are released from donor restrictions by incurring expenses that satisfy restricted purposes or by occurrence of other events specified by donors. It is the policy of the Organization to report temporarily restricted contributions that are received and expended in the same year as unrestricted.

Corporate, individual and foundation contributions, as well as federal, state, county and city governments and agencies contribute substantial resources toward the fulfillment of projects initiated by the Organization. Pledges receivable represents amounts promised but not yet received. Grants are normally received on a cost reimbursement basis and are awarded based on contracts made with each entity. Grants receivable represents costs expended (based upon the contract) but not yet reimbursed by the granting authority.

B. Government Grants and Contracts

The Organization receives significant funding from the Federal Government and the State of Texas in the form of grants and contracts. The grants/contracts require the Organization to expend funds on allowable activities and then request reimbursement. Revenue from these grants/contracts is recognized in the period.

C. In-Kind Goods and Services

The Organization reports gifts of land, buildings and equipment at their estimated fair value as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization reports such contributions at their estimated fair value when received.

Non-cash donations consisted of the following for the years ended August 31:

	2014	2013
Voluntary services	$ 81,243	$ 54,967
Groceries and supplies	111,508	48,675
Services	42,875	17,371
Other	2,417	1,914
	$ 238,043	$ 122,927

Functional Allocation of Expenses

The costs of providing the Organization's programs and supporting services are presented on the functional basis in the Statement of Activities. The Statement of Functional Expenses presents the allocation of expenses to the programs and supporting services. These allocations are based upon square footage.

Federal Income Tax

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash consists of checking and savings accounts. Cash and short-term investments held by investment managers are reported as investments and not included as cash or cash equivalents.

Investments

Investments in marketable debt and equity securities are stated at estimated fair value. Changes in estimated fair value are reflected as unrealized gains and losses. Investment income and gains permanently restricted by donors are reported as increases in temporarily restricted net assets until such time as they are appropriated for expenditure.

Bad Debts

Accounts and pledges receivable are reported at the amounts management expects to collect from outstanding balances. Management provides for uncollectable amounts through a provision for bad debts and an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts and pledges receivable. Bad debts for August 31, 2014 and 2013 were $0.

Property and Equipment

Property and equipment expenditures are capitalized at cost. Donated property and equipment are recorded at estimated fair value on the date of donation. Depreciation is estimated using the straight-line method over estimated useful lives of 5 to 35 years. Repair and maintenance costs are expensed as incurred. Depreciation expense for the years ended August 31, 2014 and 2013 was $305,588 and $308,144, respectively.

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less costs to sell.

Staffing Expense

The Organization leases its employees. The leasing fee includes employee fringe benefits of health insurance, workers compensation insurance, and other employee fringe benefits.

Compensated Absences

The leased employees of the Organization are entitled to paid vacations, sick days and personal days off, depending on job classification, length of service, and other factors. It is unreasonable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying Statement of Financial Position. The Organization's policy is to recognize the costs of compensated absences when actually paid.

NOTE 2 – INVESTMENTS

The Organization has placed its investments with The Communities Foundation of Texas.

The Communities Foundation of Texas has invested in marketable equity securities. The investments are in four accounts, two permanent or endowment, and two non-permanent. The non-permanent accounts are available for operations of the Organization and are therefore included in the total of unrestricted net assets. Investment income earned on the permanent accounts is also available for operations and is included in temporarily restricted net assets.

Accounting standards establish a fair value hierarchy that prioritized the 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 measurement) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable for the asset or liability.

The level in the fair value hierarchy within which a financial instrument in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Although The Communities Foundation of Texas invests in marketable equity securities, the identity of those securities is not necessarily known to the Organization. The Organization records the increase (decrease) in the market value of the investments from information provided by The Communities Foundation of Texas. The level of fair value hierarchy is therefore considered Level 2.

Investments consisted of the following as of August 31:

	Cost	Estimated Fair Value	Unrealized Appreciation (Depreciation)
At August 31, 2014:			
The Communities Foundation of Texas	$ 145,280	$ 184,321	$ 39,041
At August 31, 2013:			
The Communities Foundation of Texas	$ 138,226	$ 167,680	$ 29,454

The following summarizes the investment income in the Statement of Activities:

	2014	2013
Interest income	$ 8,102	$ 4,155
Unrealized gains	10,568	8,716
Investment expenses	(2,025)	(2,083)
	$ 16,645	$ 10,788

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31:

	2014	2013
Land	$ 354,047	$ 354,047
Building and improvements	8,255,531	8,255,531
Furniture and equipment	790,916	790,916
Vehicles	54,865	54,865
	$ 9,455,359	$ 9,455,359
Less accumulated depreciation	(2,163,556)	(1,857,969)
	$ 7,291,803	$ 7,597,390

NOTE 4 – RESTRICTIONS ON NET ASSETS

Restricted net assets at August 31, 2014 and 2013 were available for the following purposes:

	2014	2013
Temporarily restricted:		
Play therapy	$ 61,376	$ 61,836
Theraputic recreation	10,799	14,989
Katies corner	7,342	2,575
Endowment earnings	51,856	34,828
Rosanne's garden	1,676	1,626
Water park shades	6,000	6,000
Campus improvements	40,493	-
Doc's Corner Library	5,000	-
Summer Recreation	3,214	-
Other	2,265	2,496
	$ 190,021	$ 124,350

	2014	2013
Permanently restricted:		
For endowment purposes	$ 89,100	$ 89,100

Net assets were released from restrictions during the years ended August 31, 2014 and 2013 in the amounts of $19,130 and $71,835, respectively.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization have interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets:

1. The original value of the gift; and

2. The original value of subsequent gifts to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the funds;

2. The purpose of the Organization and the donor-restricted endowment funds;

3. General economic conditions;

4. The possible effect of inflation and deflation;

5. The expected total return from income and the appreciation of investments;

6. Other resources of the Organization; and

7. The investment policies of the Organization.

The Organization has adopted investment and spending policies for endowment assets, the objective of which is to preserve and enhance the purchasing power of assets held for the benefit of the Organization while providing a stream of income to provide necessary financial support for those companies as needed.

In order to achieve this objective, the Organization selects one or more investment advisors and instruct those advisors as to the proper allocation of the assets under their individual management.

In general, assets are allocated among stocks, bonds and cash or cash equivalents.

The Organization has a policy of appropriating for distributions the net interest and dividends of its endowment funds. In establishing this policy, the Organization considers the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts.

Endowment net asset compositions by type of fund as of August 31, 2014 were as follows:

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Balance as of 8/31/2012	$ 89,100	$ 23,384	$ -	$ 112,484
Investment income	-	11,444	-	11,444
Balance as of 8/31/2013	89,100	34,828	-	123,928
Investment income	-	17,028	-	17,028
Balance as of 8/31/2014	$ 89,100	$ 51,856	$ -	$ 140,956

NOTE 5 – RETIREMENT PLAN

The Organization has a contributory retirement plan for all employees 21 years and older who have completed 1,000 hours of service. The employees may have up to $16,510 of their salary contributed to the plan. The Organization may take discretionary contributions. The Organization made no contributions in 2014 and 2013. Employees are always 100% vested in their contribution amount and are 100% vested in the Organization contribution after 3 years.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

The Organization participates in federal and state grant programs that are governed by various grantor rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore if, and to the extent, the Organization has not complied with the rules and regulations governing their grants, they may be required to refund money previously received, or the collectability of any related receivable at August 31, 2014 and 2013, may be impaired.

Occasionally, the Organization maintains balances in its cash accounts in excess of the federally insured limit. The risk is mitigated by the financial strength of the financial institutions.

NOTE 7 – DISCLOSURES ABOUT UNCERTAINTY IN INCOME TAXES UNDER FASB ASC 740

The Organization files an annual information return. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before August 31, 2011.

The Organization has adopted the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes.* As of August 31, 2014 and 2013, there were no unrecognized tax benefits.

The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in administrative expense. There were no such interest and penalties for 2014 and 2013.

NOTE 8 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 10, 2014 the date which the financial statements were available to be issued. No events have occurred subsequent to the Statement of Financial Position date that would require adjustment to, or disclosure in, the financial statements.

Kid Net Foundation
Schedule of Expenditures of Federal/State Awards
For the year ended August 31, 2014

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Number	Total Expenditures	State Expenditures
U.S. Department of Health and Human Resources				
Passed through Texas Department of Family and Protective Services:				
GRO-Emergency Shelter/ Treatment Services	93.658	23734541	$ 407,924	$ 318,551
CPA-Adoption Services	93.556	23803061	3,000	1,000
CPA-Foster Family	93.558	23372999	687,165	117,310
Total U.S. Department of Health and Human Resources			$ 1,098,089	$ 436,861

Kid Net Foundation
Notes to Schedule of Expenditures of Federal/State Awards
For the year ended August 31, 2014

NOTE 1 – BASIS OF PRESENTATION

The Schedule of Expenditures of Federal/State Awards includes the federal grant activity of Kid Net Foundation during the year, presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 – MAJOR PROGRAMS

The Organization's Foster Family grant was considered major programs to be tested, as defined by OMB Circular A-133.

ALBRIGHT, HILL & SUMPTER
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

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
Kid Net Foundation

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 the Comptroller General of the United States of America, the financial statements of Kid Net Foundation, which comprise the Statements of Financial Position as of August 31, 2014, and the related Statements of Activities, Functional Expenses, Cash Flows and the related notes to the financial statements for the year then ended and have issued our report thereon dated December 10, 2014.

Internal Control over Financial Reporting

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

12160 North Abrams Road
Suite 412
Dallas, Texas 75243
972.270.5452
972.686.4216 Fax

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 Kid Net Foundation's financial statements are free of material misstatements, 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards.* This instance is as described in section III of the attached Schedule of Findings and Questioned Costs.

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 Kid Net Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kid Net Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose for the information and use of management, the Board of Directors, others within the organization, federal awarding agencies and pass through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Albright, Hill & Sumpter, PC
Certified Public Accountants

Albright, Hill & Sumpter

December 10, 2014

ALBRIGHT, HILL & SUMPTER
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Kid Net Foundation

Report on Compliance for Each Major Federal Program

We have audited Kid Net Foundation's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular *A-133, 2014 Compliance Supplement* that could have a direct and material effect on each of Kid Net Foundation's major federal/state programs for the year ended August 31, 2014. Kid Net Foundation's major federal programs 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Kid Net Foundation's major federal/state programs 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards, OMB Circular A-133 and the State of Texas Single Audit Circular, 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 effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kid Net Foundation's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

12160 North Abrams Road
Suite 412
Dallas, Texas 75243
972.270.5452
972.686.4216 Fax

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Kid Net Foundation's compliance.

Opinion on Each Major Federal/State Program

In our opinion, Kid Net Foundation 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/state programs for the year ended August 31, 2014.

Report on Internal Control over Compliance

Management of Kid Net Foundation 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 Kid Net Foundation'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/state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, 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 Kid Net Foundation'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 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 will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 OMB Circular A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Kid Net Foundation's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Kid Net Foundation's responses and; accordingly, we express no opinion on the responses.

Albright, Hill & Sumpter, PC
Certified Public Accountants

Albright, Hill & Sumpter

December 10, 2014

Kid Net Foundation
Schedule of Findings and Questioned Costs
For the year ended August 31, 2014

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes X No
Significant deficiency(ies) identified?	___ Yes X No
Noncompliance material to financial statements noted?	___ Yes X No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	___ Yes X No
Significant deficiency(ies) identified?	___ Yes X No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	___ Yes X No
Identification of major program:	
CFDA #93.558 -CPA - Foster Family	
Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	___ Yes X No

Section II - Financial Statement Findings

There were no findings related to the financial statements required to be reported under generally accepted government auditing standards.

Section III - Federal Award Findings and Questioned Costs

Kid Net Foundation failed to file the required "Data Collection Form for Reporting on Audits of States, Local Governments, and Non-profit Organizations."