

# **SOS CHILDREN'S VILLAGES – USA, INC.**

***FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

**DECEMBER 31, 2015 AND 2014**

# SOS CHILDREN'S VILLAGES – USA, INC.

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors**  
**SOS Children's Villages – USA, Inc.**  
**Washington, D.C., USA**

We have audited the accompanying statement of financial position of SOS Children's Villages – USA, Inc. (a nonprofit organization) as of December 31, 2015, and the related statements of activities, statement of functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SOS Children's Villages – USA, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Board of Directors  
SOS Children's Villages – USA, Inc.  
Washington, D.C., USA**

***Report on Summarized Comparative Information***

We have previously audited the nonprofit organization's December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
July 21, 2016**

# SOS CHILDREN'S VILLAGES – USA, INC.

## STATEMENTS OF FINANCIAL POSITION

December 31, 2015 And 2014

	Unrestricted	Temporarily	Permanently	Totals	
	Operating			Restricted	Restricted
ASSETS	Fund				
<b>Current Assets</b>					
Cash and cash equivalents	\$ 1,013,341	\$ -	\$ -	\$ 1,013,341	\$ 1,241,865
Short-term investments (Note 6)	580,922	-	-	580,922	578,434
Contributions receivable (Note 3)	90,056	1,091,096	-	1,181,152	614,001
Other receivable (Note 11)	-	-	-	-	224,955
Prepaid expenses and other assets	241,823	-	-	241,823	175,403
<b>Total current assets</b>	<b>1,926,142</b>	<b>1,091,096</b>	<b>-</b>	<b>3,017,238</b>	<b>2,834,658</b>
Notes Receivable (Note 5)	508,092	-	-	508,092	-
Long-Term Investments (Note 6)	9,374,342	-	104,231	9,478,573	7,711,952
Equity Interest in Privately Held Companies (Note 8)	-	-	-	-	2,814,257
<b>Fixed Assets</b>					
Furniture and equipment	71,931	-	-	71,931	67,923
Leasehold improvements	363,427	-	-	363,427	329,575
Computer equipment	258,191	-	-	258,191	207,097
Website	51,044	-	-	51,044	51,044
	744,593	-	-	744,593	655,639
Less accumulated depreciation	(279,855)	-	-	(279,855)	(162,828)
<b>Fixed assets - net</b>	<b>464,738</b>	<b>-</b>	<b>-</b>	<b>464,738</b>	<b>492,811</b>
<b>Other Assets</b>					
Cash surrender value of life insurance	55,738	-	-	55,738	53,026
Contributions receivable (Note 3)	32,072	135,943	-	168,015	575,294
Deposits	52,298	-	-	52,298	52,298
<b>Total other assets</b>	<b>140,108</b>	<b>135,943</b>	<b>-</b>	<b>276,051</b>	<b>680,618</b>
<b>Total assets</b>	<b>\$12,413,422</b>	<b>\$1,227,039</b>	<b>\$104,231</b>	<b>\$13,744,692</b>	<b>\$14,534,296</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued expenses	\$ 548,631	\$ -	\$ -	\$ 548,631	\$ 357,562
Income tax payable (Note 8)	35,845	-	-	35,845	99,071
Loan payable (Note 9)	149,838	-	-	149,838	200,000
Deferred lease benefit	389,633	-	-	389,633	396,950
Grants payable - affiliates	3,762,005	-	-	3,762,005	2,536,896
<b>Total current liabilities</b>	<b>4,885,952</b>	<b>-</b>	<b>-</b>	<b>4,885,952</b>	<b>3,590,479</b>
<b>Long –Term Liabilities</b>					
Grants payable – affiliates	500,000	-	-	500,000	947,000
Loan payable (Note 9)	-	-	-	-	149,838
<b>Total long-term liabilities</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>1,096,838</b>
<b>Total liabilities</b>	<b>5,385,952</b>	<b>-</b>	<b>-</b>	<b>5,385,952</b>	<b>4,687,317</b>
Net Assets (Note 10)	7,027,470	1,227,039	104,231	8,358,740	9,846,979
<b>Total liabilities and net assets</b>	<b>\$12,543,422</b>	<b>\$1,227,039</b>	<b>\$104,231</b>	<b>\$13,744,692</b>	<b>\$14,534,296</b>

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

# SOS CHILDREN'S VILLAGES – USA, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended December 31, 2015 With Summarized Information For December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
	Operating Fund			2015	2014
<b>Revenue</b>					
Contributions	\$ 4,201,197	\$ 5,049,037	\$ -	\$ 9,250,234	\$17,820,257
Investment income	55,999	-	-	55,999	10,439
Equity in the earnings of privately held companies	75,824	-	-	75,824	202,686
Realized gain on sale of privately held companies, net of \$74,857 of tax in 2015	434,595	-	-	434,595	-
Change in value of charitable remainder trust	-	-	-	-	(9,326)
Other income	2,721	-	-	2,721	21,867
Net assets released from restrictions (Note 10)	<u>4,803,093</u>	<u>(4,803,093)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenue</b>	<u>9,573,429</u>	<u>245,944</u>	<u>-</u>	<u>9,819,373</u>	<u>18,045,923</u>
<b>Expenses</b>					
Program expenses					
Children's villages & programs	6,522,687	-	-	6,522,687	5,240,338
Education and advocacy	<u>1,641,283</u>	<u>-</u>	<u>-</u>	<u>1,641,283</u>	<u>1,188,140</u>
<b>Total program expenses</b>	<u>8,163,970</u>	<u>-</u>	<u>-</u>	<u>8,163,970</u>	<u>6,428,478</u>
Supporting expenses					
Management and general	1,118,377	-	-	1,118,377	1,071,475
Fundraising	<u>2,025,265</u>	<u>-</u>	<u>-</u>	<u>2,025,265</u>	<u>1,759,223</u>
<b>Total supporting expenses</b>	<u>3,143,642</u>	<u>-</u>	<u>-</u>	<u>3,143,642</u>	<u>2,830,698</u>
<b>Total expenses</b>	<u>11,307,612</u>	<u>-</u>	<u>-</u>	<u>11,307,612</u>	<u>9,259,176</u>
<b>Change in net assets</b>	(1,734,183)	245,944	-	(1,488,239)	8,786,747
<b>Net Assets</b>					
Beginning of year	<u>8,761,653</u>	<u>981,095</u>	<u>104,231</u>	<u>9,846,979</u>	<u>1,060,232</u>
<b>End of year</b>	<u>\$ 7,027,470</u>	<u>\$ 1,227,039</u>	<u>\$ 104,231</u>	<u>\$ 8,358,740</u>	<u>\$ 9,846,979</u>

# SOS CHILDREN'S VILLAGES – USA, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2015 With Summarized Information For December 31, 2014

	PROGRAM SERVICES			SUPPORTING SERVICES			Totals	
	Children's Villages And Programs	Education And Advocacy	Total Program Services	Management And General	Fund-Raising	Total Supporting Services	2015	2014
Salaries	\$ 748,219	\$ 830,859	\$ 1,579,078	\$ 287,535	\$ 421,870	\$ 709,405	\$ 2,288,483	\$ 2,034,268
Benefits	158,611	175,830	334,441	61,278	90,060	151,338	485,779	409,702
Staff Travel	-	30,632	30,632	93,993	114,442	208,435	239,067	133,654
Board of Director's Meetings	-	-	-	3,904	-	3,904	3,904	6,912
Office Expense	210	20,048	20,258	39,317	81,492	120,809	141,067	114,699
Postage and Delivery	41	1,205	1,246	24,133	3,774	27,907	29,153	18,266
Professional Fees and Services	-	1,800	1,800	303,399	39,339	342,738	344,538	404,231
Insurance	-	-	-	39,569	-	39,569	39,569	32,101
Office Rent and Storage	85,322	94,746	180,068	32,789	48,107	80,896	260,964	186,419
Telephone	-	-	-	38,593	607	39,200	39,200	35,198
Equipment Lease	-	-	-	43,594	-	43,594	43,594	36,628
Information Technology and Software	-	34,148	34,148	64,883	72,008	136,891	171,039	169,283
Depreciation	38,262	42,488	80,750	14,704	21,573	36,277	117,027	56,766
Membership Fees	393,945	16,622	410,567	-	22,702	22,702	433,269	413,008
Direct marketing appeals	-	-	-	-	906,582	906,582	906,582	994,975
Public relations promotion	-	365,900	365,900	-	29,755	29,755	395,655	22,090
Village and other support grants	4,977,120	-	4,977,120	-	-	-	4,977,120	3,927,405
Miscellaneous	<u>120,957</u>	<u>27,005</u>	<u>147,962</u>	<u>70,686</u>	<u>172,954</u>	<u>243,640</u>	<u>391,602</u>	<u>263,571</u>
	<u>\$ 6,522,687</u>	<u>\$ 1,641,283</u>	<u>\$ 8,163,970</u>	<u>\$ 1,118,377</u>	<u>\$ 2,025,265</u>	<u>\$ 3,143,642</u>	<u>\$ 11,307,612</u>	<u>\$ 9,259,176</u>

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

# SOS CHILDREN'S VILLAGES – USA, INC.

## STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2015 And 2014

	<u>2015</u>	<u>2014</u>
<i>Cash flows from operating activities</i>		
Change in net assets	\$ (1,488,239)	\$ 8,786,747
<b>Adjustments to reconcile change in net assets to net cash used in operating activities</b>		
Depreciation	117,027	56,766
Realized gain on investments	(510,419)	-
Unrealized (gain) loss on investments	(698)	18,921
Equity in the earnings of privately held securities	(75,824)	(301,757)
Change in value of charitable remainder trust	-	9,326
(Increase) decrease in		
Contributions receivable	(159,872)	(1,021,294)
Other receivable	(283,137)	(224,955)
Prepaid expenses and other assets	(66,420)	(73,660)
Cash surrender value of life insurance	(2,711)	(3,080)
Deposits	-	(38,263)
Increase (decrease) in		
Accounts payable and accrued expenses	152,065	102,947
Income tax payable	(24,223)	99,071
Deferred lease benefit	(7,317)	396,950
Grants payable	<u>778,109</u>	<u>(1,874)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(1,571,659)</u>	<u>7,805,845</u>
<i>Cash flows from investing activities</i>		
Purchases of investments	(17,156,949)	(13,928,142)
Proceeds from sale of investments	18,479,026	6,679,970
Proceeds on liquidation of irrevocable trust	-	266,422
Return of capital from equity investments	312,500	487,500
Net change in short-term investments	(2,488)	(529,529)
Purchase of equipment	<u>(88,954)</u>	<u>(485,838)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>1,543,135</u>	<u>(7,509,617)</u>
<i>Cash flows from financing activities</i>		
Repayments of loan	<u>(200,000)</u>	<u>(36,420)</u>
<b>Net cash provided by investing activities</b>	<u>(200,000)</u>	<u>(36,420)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(228,524)	259,808
<i>Cash and cash equivalents</i>		
Beginning of the year	<u>1,241,865</u>	<u>982,057</u>
<b>End of the year</b>	<u>\$ 1,013,341</u>	<u>\$ 1,241,865</u>
<i>Supplemental Disclosure</i>		
Income taxes paid	<u>\$ 138,085</u>	<u>\$ -</u>

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



# SOS CHILDREN'S VILLAGES – USA, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015 And 2014

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### (1) NATURE OF ORGANIZATION

SOS Children's Villages – USA, Inc. (the "**Organization**") supports the effort of SOS Children's Villages International – both in the USA and around the globe. SOS Children's Villages International works in more than 130 countries to support families and help children at risk grow in a loving home. For more than 60 years, we have worked with partners in each community to either help families care for their children or to provide an alternative, for instance an SOS family, in which the love of a care giver is essential. Everything we do is based on the best interests of the child, and each has an individual development plan. Uniquely, we provide practical support over the long term, so that each child or young person can develop resilient relationships and face life's challenges in the future.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** – The Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

**Income Taxes** – The Organization has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "**Code**"), and has been classified as an organization, which is publicly supported under Section 509(a)(1) of the Code.

Management has reviewed the tax positions for each of the open tax years (2012 – 2014) or expected to be taken in the Organization's 2015 tax return and has concluded that there are not significant uncertain tax positions that would require recognition in the financial statements.

**Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** – For financial statement purposes, the Organization considers all money market accounts and certificates of deposit with an original maturity of three months or less to be cash equivalents.

**Concentration of Credit Risk** – The Organization occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification ("**ASC**") 825, "**Financial Instruments**", identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

**Property and Equipment** – Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets (3-10 years). The Organization capitalizes all property and equipment expenditures greater than \$2,000 with a useful life of greater than one year.

# SOS CHILDREN'S VILLAGES – USA, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2015 And 2014

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*Net Assets* – To ensure observance of restrictions placed on the use of available resources, the accounts are classified for accounting and reporting purposes into the following net asset groups:

*Unrestricted* – represents net assets that are not subject to donor-imposed restrictions.

*Temporarily Restricted* – consists of grants and contributions received from donors who have specified that the funds be used to support specific programs.

*Permanently Restricted* – consists of contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions.

*Temporarily Restricted Revenue* – The Organization's policy is to report all donor restricted contributions as temporarily restricted revenue even if those restrictions are met in the same reporting period the contributions are received.

*Grants Payable* – The Organization records grants as liabilities upon approval by the Board of Directors. Grants payable are generally to affiliates of SOS-KDI and disbursed subsequent to the board approval and then upon the request of the affiliate.

*Functional Allocation of Expenses* – The costs of providing programs and supporting services are summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Reclassifications* – Certain reclassifications were made to the 2014 financial statements to conform to the 2015 presentation.

### (3) CONTRIBUTIONS RECEIVABLE

As of December 31, 2015 and 2014, contributions receivable are expected to be realized in the following periods:

	<u>2015</u>	<u>2014</u>
In one year or less	\$ 1,181,152	\$ 614,001
One to five years	<u>168,015</u>	<u>575,294</u>
	<u>\$ 1,349,167</u>	<u>\$ 1,189,295</u>

### (4) IRREVOCABLE TRUST RECEIVABLE

The Organization was named as a 45% beneficiary of an irrevocable trust. The organization receives 45% of the income generated by the Trust funds annually and received 45% of the principal balance upon the termination of the Trust, which amounted to \$266,422, in 2014.

# SOS CHILDREN'S VILLAGES – USA, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**December 31, 2015 And 2014**

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### (5) NOTES RECEIVABLE

In March 2015, the organization executed a loan to SOS Children's Villages Florida, Inc. an affiliate organization, in the amount of \$500,000. The loan carries interest at a rate of 3% and matures in March 2020. Principal and accrued interest as of December 31, 2015 was \$508,092. Principal and interest is not due until the loan matures in 2020.

### (6) INVESTMENTS

Short-term investments are recorded at market value and consist of the following at December 31:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money Market Funds	<u>\$580,922</u>	<u>\$580,922</u>	<u>\$578,434</u>	<u>\$578,434</u>

Long-term investments are recorded at market value and consist of the following at December 31:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money Market Funds	\$ 59,161	\$ 59,161	\$ 51,625	\$ 51,625
Certificates of Deposit	8,451,000	8,456,762	6,745,997	6,721,379
Corporate Bonds	<u>947,082</u>	<u>962,650</u>	<u>914,226</u>	<u>938,948</u>
	<u>\$ 9,457,243</u>	<u>\$ 9,478,573</u>	<u>\$ 7,711,848</u>	<u>\$ 7,711,952</u>

Investment income is comprised of the following for the year ended December 31:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 55,301	\$ 29,360
Unrealized gain (loss)	<u>698</u>	<u>(18,921)</u>
	<u>\$ 55,999</u>	<u>\$ 10,439</u>

# SOS CHILDREN'S VILLAGES – USA, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2015 And 2014

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### (7) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization utilizes various methods to measure the fair value of its assets on a recurring basis. United States generally accepted accounting principles establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Organization's assets that are carried at fair value as of December 31, 2015 and 2014 are as follows:

	<b>2015</b>			
	<b><u>Total</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>
Money Market Funds	\$ 640,084	\$ 640,084	\$ -	\$ -
Certificates of Deposit	8,456,762	-	8,456,762	-
Corporate Bonds	<u>962,650</u>	<u>-</u>	<u>962,650</u>	<u>-</u>
Total Investments	<u>\$ 10,059,495</u>	<u>\$ 640,084</u>	<u>\$ 9,419,412</u>	<u>\$ -</u>

	<b>2014</b>			
	<b><u>Total</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>
Money Market Funds	\$ 630,059	\$ 630,059	\$ -	\$ -
Certificates of Deposit	6,721,379	-	6,721,379	-
Corporate Bonds	<u>938,948</u>	<u>-</u>	<u>938,948</u>	<u>-</u>
Total Investments	<u>\$ 8,290,386</u>	<u>\$ 630,059</u>	<u>\$ 7,660,327</u>	<u>\$ -</u>

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2015 or 2014.

# SOS CHILDREN'S VILLAGES – USA, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

### December 31, 2015 And 2014

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The changes in the financial instruments measured at fair value for which the Organization used Level 3 inputs to determine fair value are as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ -	\$ 275,748
Change in value of irrevocable trust	-	(9,326)
Distribution of Trust to the Organization	-	(266,422)
	<u>\$ -</u>	<u>\$ -</u>

The irrevocable trust is measured at the current market value and the estimated future cash flows which involve unobservable inputs. As a result, these present value techniques are Level 3 inputs.

#### (8) EQUITY INTEREST IN PRIVATELY-HELD COMPANIES

On December 31, 2013, the Organization received from a trust a contribution of a 50% interest in each of three privately-held S Corporations. The fair value of these contributions amounted to \$3,000,000 at December 31, 2013. The Organization accounts for these three investments at the equity basis of accounting with the fair value of the investments at acquisition plus 50% of the net income (loss) subsequent to acquisition date. At December 31, 2014, these investments had a carrying value of \$2,814,257. During 2015, all three privately-held S Corporations were sold for approximately \$3,100,000 and the Organization recognized a gain on the sale of approximately \$435,000, net of federal income taxes of approximately \$75,000.

During 2014, the Organization received cash contributions as part of the liquidation of the estate in which the trust resided of approximately \$7,300,000 and is included in contributions in the Statement of Activities and Changes in Net Assets. Additionally, the Organization received, in 2015, interest in three privately-held companies from this trust which were sold for approximately \$220,000.

#### (9) LOAN PAYABLE

The Organization has an unsecured note payable to an international organization which has provided a multi-year grant to the Organization for support of the fund-raising for international sponsorship program. The note payable carries an interest rate of 2% and final payment is due in 2016. The balance at December 31, 2015 was \$149,838 and was paid subsequent to year-end.

# SOS CHILDREN'S VILLAGES – USA, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**December 31, 2015 And 2014**

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### (10) NET ASSETS

#### **TEMPORARILY RESTRICTED**

Temporarily restricted net assets as of December 31, 2015 and 2014 consist of various programs that have been established with specific donor intentions for the use of the funds. The related activity for the years ended December 31, 2015 and 2014 was as follows:

	<b>Balance January 1, 2015</b>	<b>Additions</b>	<b>Released</b>	<b>Balance December 31, 2015</b>
International Sponsors	\$ -	\$ 1,196,789	\$ 1,196,789	\$ -
International Grants	981,095	3,741,004	3,495,060	1,227,039
SOS Florida	-	22,811	22,811	-
SOS Illinois	-	88,433	88,433	-
	<u>\$ 981,095</u>	<u>\$ 5,049,037</u>	<u>\$ 4,803,093</u>	<u>\$ 1,227,039</u>

  

	<b>Balance January 1, 2014</b>	<b>Additions</b>	<b>Released</b>	<b>Balance December 31, 2014</b>
International Villages (Irrevocable Trust Receivable)	\$ 275,748	\$ -	\$ 275,748	\$ -
International Sponsors	-	1,133,561	1,133,561	-
International Grants	50,100	3,458,394	2,527,399	981,095
SOS Florida	-	49,908	49,908	-
SOS Illinois	-	47,996	47,996	-
	<u>\$ 325,848</u>	<u>\$ 4,689,859</u>	<u>\$ 4,034,612</u>	<u>\$ 981,095</u>

Total releases from restrictions were \$4,803,093 for program in 2015 and \$4,034,612 in 2014, respectively.

#### **PERMANENTLY RESTRICTED**

Permanently restricted net assets are available for the following purpose:

	<b><u>2015</u></b>	<b><u>2014</u></b>
Investment in perpetuity, the income from which is expendable to support any activities of the organization	<u>\$104,231</u>	<u>\$104,231</u>

# SOS CHILDREN'S VILLAGES – USA, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**December 31, 2015 And 2014**

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### (11) COMMITMENTS

In May 2014, the Organization executed a non-cancelable lease agreement for office space that expires in February 2023. This lease includes reimbursement for installation costs of up to \$450,000 and a rent holiday for the first nine months. As of December 31, 2014, SOS had a receivable in the amount of \$224,955 in connection with the build out which is included in the statement of financial position. The lease is subject to adjustments for escalations and certain operating expenses. Rent expense, including operating charges and real estate expense, for the years ended December 31, 2015 and 2014 amounted to approximately \$261,000 and \$186,000.

Approximate future minimum rental payments on the office space are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 315,000
2017	322,800
2018	330,900
2019	339,100
2020	347,600
2021 and thereafter	<u>783,500</u>
	<u>\$ 2,438,900</u>

### (12) PENSION PLAN

The Organization maintains a Simplified Employee Pension Plan for all employees who have obtained a minimum of six months of service. Eligible employees receive a 5% contribution to the plan on behalf of the Organization. Pension expense for the years ending December 31, 2015 and 2014 was approximately \$104,000 and \$53,000, respectively. Additionally, there was no discretionary contribution for the years ended December 31, 2015 and 2014.

### (13) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, July 21, 2016, have been evaluated in the preparation of the financial statements.