

AMIkids Miami-Dade, Inc.

Financial Statements

June 30, 2012

**(With comparative financial
information for 2011)**

AMIkids Miami-Dade, Inc.
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June 30, 2012
(With comparative financial information for 2011)

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Independent Auditors' Report

The Board of Trustees
AMikids Miami-Dade, Inc.

We have audited the accompanying statement of financial position of AMikids Miami-Dade, Inc. as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of AMikids Miami-Dade, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The summarized comparative financial information for 2011 has been derived from the financial statements of AMikids Miami-Dade, Inc. as of and for the year ended June 30, 2011, and, in our report dated August 31, 2011 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AMikids Miami-Dade, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of AMikids Miami-Dade, Inc. as of June 30, 2012, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012 on our consideration of AMikids Miami-Dade, Inc.'s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

September 10, 2012

AMIkids Miami-Dade, Inc.
Statement of Financial Position
June 30, 2012
(With comparative financial information for 2011)

	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents	\$ 127,438	\$ 163,740
Accounts receivable		
Funding agencies	79,546	86,994
Other	14,791	17,080
Prepaid expenses and other	41,231	42,175
Due from AMIkids and affiliated institutes	136,901	150,103
Property and equipment, net	357,376	459,391
Total assets	<u>\$ 757,283</u>	<u>\$ 919,483</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 26,062	\$ 25,663
Accrued expenses	66,490	87,838
Due to AMIkids and affiliated institutes	41,873	39,537
Notes payable	3,653	6,049
Total liabilities	<u>138,078</u>	<u>159,087</u>
Net assets:		
Unrestricted	579,141	738,713
Temporarily restricted	40,064	21,683
Total net assets	<u>619,205</u>	<u>760,396</u>
Total liabilities and net assets	<u>\$ 757,283</u>	<u>\$ 919,483</u>

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

AMIkids Miami-Dade, Inc.
Statement of Activities
Year Ended June 30, 2012
(With summarized financial information for 2011)

	Unrestricted	Temporarily Restricted	Totals	
			2012	2011
Public support and revenue:				
Public support:				
State grants	\$ 1,067,578	\$ -	\$ 1,067,578	\$ 1,078,222
Federal support	106,250		106,250	128,114
Regional revenue	849,081		849,081	902,433
Contributions	55,467	122,100	177,567	174,219
Total public support	2,078,376	122,100	2,200,476	2,282,988
Revenue:				
Interest income	73	1	74	100
Other	57,004		57,004	54,050
Total revenue	57,077	1	57,078	54,150
Net assets released from restrictions	103,720	(103,720)	-	-
Total public support and revenue	2,239,173	18,381	2,257,554	2,337,138
Expenses:				
Program services	2,343,103	-	2,343,103	2,330,733
Management and general	55,642	-	55,642	73,055
Total expenses	2,398,745	-	2,398,745	2,403,788
Change in net assets	(159,572)	18,381	(141,191)	(66,650)
Net assets, beginning of year	738,713	21,683	760,396	827,046
Net assets, end of year	\$ 579,141	\$ 40,064	\$ 619,205	\$ 760,396

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

AMikids Miami-Dade, Inc.
Statement of Functional Expenses
Year Ended June 30, 2012
(With summarized financial information for 2011)

	Program Services	Management and General	Totals	
			2012	2011
Salaries	\$ 1,388,755	\$ -	\$ 1,388,755	\$ 1,354,883
Employee benefits and payroll taxes	335,650	-	335,650	358,266
Travel	21,152	-	21,152	22,427
Conferences and training	27,621	-	27,621	37,915
Books and publications	715	-	715	746
Rent and utilities	75,031	563	75,594	78,077
Insurance	63,344	-	63,344	63,609
Telephone	20,824	-	20,824	23,635
Professional fees	14,475	7,308	21,783	24,322
Postage	-	2,459	2,459	2,477
Student supplies and training	192,698	14,037	206,735	221,724
Community development	30,051	-	30,051	12,411
Equipment and maintenance	56,814	14,164	70,978	67,333
Interest	986	-	986	1,281
Depreciation	114,987	-	114,987	114,142
Other	-	17,111	17,111	20,540
Total expenses	<u>\$ 2,343,103</u>	<u>\$ 55,642</u>	<u>\$ 2,398,745</u>	<u>\$ 2,403,788</u>

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

AMIkids Miami-Dade, Inc.
Statement of Cash Flows
Year Ended June 30, 2012
(With comparative financial information for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (141,191)	\$ (66,650)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	114,987	114,142
(Gain) loss on disposal of property and equipment	-	(16,095)
Donated property and equipment	-	(1,975)
(Increase) decrease in:		
Accounts receivable	9,737	50,384
Prepaid expenses and other	944	4,607
Due from AMIkids and affiliated institutes	13,202	(18,377)
Increase (decrease) in:		
Accounts payable	399	3,836
Accrued expenses	(21,349)	4,870
Deferred revenues	-	(7,170)
Due to AMIkids and affiliated institutes	2,336	7,434
Net cash provided by (used in) operating activities	<u>(20,935)</u>	<u>75,006</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	350
Purchases of property and equipment	<u>(12,972)</u>	<u>(24,708)</u>
Net cash provided by (used in) investing activities	<u>(12,972)</u>	<u>(24,358)</u>
Cash flows from financing activities:		
Payments on third party notes payable	<u>(2,396)</u>	<u>(1,995)</u>
Net increase (decrease) in cash and cash equivalents	(36,302)	48,653
Cash and cash equivalents at beginning of year	163,740	115,087
Cash and cash equivalents at end of year	<u>\$ 127,438</u>	<u>\$ 163,740</u>
Cash paid for interest	<u>\$ 986</u>	<u>\$ 1,281</u>

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

AMikids Miami-Dade, Inc.
Notes to Financial Statements
June 30, 2012
(With comparative financial information for 2011)

1. Summary of Significant Accounting Policies

Organization

AMikids Miami-Dade, Inc. (the “Institute”), a non-profit corporation, is engaged in the rehabilitation of delinquent youth by providing education, treatment and behavior modification as components of the AMikids Personal Growth Model®. These services are performed by the Institute, which is one of over sixty affiliated, but independently governed member programs and schools located in Florida, South Carolina, North Carolina, Louisiana, Virginia, Georgia, Texas, New Mexico and Illinois. AMikids, Inc. (“AMikids”) is the sole member of the Institute. AMikids is located in Florida and executes the contracts, collects funds, coordinates the operations and manages the record keeping of these member Programs and schools. The Institute’s operating funds are primarily generated from state contracts, local funds and contributions. Continued operation of the Institute’s rehabilitation program is dependent on funding continued funding from AMikids’s state contracts and local agencies as well as financial and other support from AMikids.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the 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 may differ from such estimates and such differences could be material.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting. Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity and resulting use of cash.

Unrestricted net assets consist of amounts that are available for use in carrying out the activities of the Institute. Temporarily restricted net assets represent those amounts, which are not available until future periods or are donor restricted for specific purposes.

Cash and Cash Equivalents

Cash and cash equivalents represent cash and short-term, highly liquid investments with original maturities of three months or less.

Cash is maintained in bank deposit accounts, which at times may exceed federally insured limits. The Institute believes it is not exposed to any significant credit risk in these accounts.

Accounts Receivable

Accounts receivable consists primarily of receivables from state agencies and county school boards. The Institute considers its accounts receivable to be fully collectible and therefore, has not recorded an allowance for doubtful accounts. Amounts becoming uncollectible will be charged to operations when that determination is made.

AMIkids Miami-Dade, Inc.
Notes to Financial Statements
June 30, 2012
(With comparative financial information for 2011)

Property and Equipment

Property and equipment are stated at cost, if purchased, or at estimated fair value at date of receipt if acquired by gift. Property and equipment transferred to the Institute by a state-funding agency are stated at estimated fair value at date of transfer. Property transferred or acquired with grant funds may revert to the state should the Institute no longer provide the rehabilitation services required by the state contract. At the time property is retired, or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in earnings. Repairs and maintenance are expensed when incurred. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

Permanent site improvements	5 years
Buildings and improvements	5-20 years
Furniture, fixtures and equipment	3-5 years
Motor vehicles	3 years
Boats, motors and trailers	3 years

Impairment of Long-Lived Assets

The Institute reviews all long-lived assets, which consist primarily of property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the discounted cash flows.

Use of Facilities

Facilities provided by a funding agency to the Institute are for use during the term of its contract and are recorded as an in-kind contribution and rental expense in the financial statements in the period in which the facilities are utilized by the Institute. The amounts recorded in each period of use by the Institute represent the difference between the fair rental value of the facilities and the stated amount of the rent payments. The stated amount of the rent payments is generally zero. In-kind rental contributions and the related rental was \$34,200 for both years ended June 30, 2012 and 2011 and are reflected as contribution revenue and rent and utilities expense, respectively, in the accompanying financial statements.

Public Support and Revenue

Public support is primarily from AMIkids's contracts with various state agencies. Contracts with state agencies generally provide funding based on client service days. Other public support represents amounts received from federal and local sources, including county school boards and other contributions.

A significant portion of AMIkids's and the Institute's grants and contracts are exchange transactions in which each party receives and sacrifices commensurate value. Funds from these exchange transactions are not considered contributions and, as such, are deemed to be earned and reported as revenue when such funds have been expended towards the designated purpose. Funds from exchange transactions received in advance of revenue recognition are recorded as deferred revenue.

AMIkids Miami-Dade, Inc.
Notes to Financial Statements
June 30, 2012
(With comparative financial information for 2011)

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. The Institute reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor 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.

Donated Services

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by the individuals possessing those skills and would be typically purchased if not provided by donation. For the years ended June 30, 2012 and 2011, donated services were not material to the financial statements.

Fair Value of Financial Instruments

The Institute reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 – Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuation based on observable quoted prices for similar assets and liabilities in active markets.
- Level 3 – Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of June 30, 2012. The respective carrying value of certain on-balance-sheet financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include cash, accounts receivable, accounts payable, and accrued expenses. The fair value of the notes payable is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

The Institute's Level 1 financial assets consist of cash equivalents of \$2,114 and \$2,414 as of June 30, 2012 and 2011, respectively. The Institute has no Level 2 or Level 3 instruments.

AMIkids Miami-Dade, Inc.
Notes to Financial Statements
June 30, 2012
(With comparative financial information for 2011)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited. Other expenses are allocated based on management's estimate of the benefit derived by each activity.

Income Taxes

AMIkids Miami-Dade, Inc. is exempt from income tax under section 501 (c) (3) of the Internal Revenue Code.

The Institute identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. The Institute has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Institute would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

The Institute files informational returns in the U.S. Federal jurisdiction and various States. The Institute's federal informational returns for tax years 2008 and beyond remain subject to examination by the Internal Revenue Service.

Summarized Financial Information for 2011

The financial information for the year ended June 30, 2011 is presented for comparative purposes and is not intended to be a complete presentation. Certain 2011 amounts have been reclassified to conform with the 2012 presentation.

2. Property and Equipment

Property and equipment at June 30, 2012 and 2011 consists of:

	2012	2011
Land and permanent site improvements	\$ 15,879	\$ 16,495
Buildings and improvements	1,940,129	1,936,904
Furniture, fixtures and equipment (including capitalized lease obligations of \$9,422)	191,676	225,956
Motor vehicles	45,689	45,689
Boats, motors and trailers	110,434	110,434
Construction in progress (estimate to complete \$10,000)	5,000	-
	<u>2,308,808</u>	<u>2,335,478</u>
Less accumulated depreciation	(1,951,432)	(1,876,087)
	<u>\$ 357,376</u>	<u>\$ 459,391</u>

AMIkids Miami-Dade, Inc.
Notes to Financial Statements
June 30, 2012
(With comparative financial information for 2011)

3. Notes Payable

Notes payable at June 30, 2012 and 2011 consists of:

	<u>2012</u>	<u>2011</u>
Note payable in monthly installments of \$130, including interest at 14.52%, due September 2013; collateralized by equipment under capital lease	\$ 1,773	\$ 2,978
Note payable in monthly installments of \$130, including interest at 14.52%, due September 2013; collateralized by equipment under capital lease	1,880	3,071
	<u>\$ 3,653</u>	<u>\$ 6,049</u>

Annual maturities of notes payable are as follows:

Year ended June 30,

2013	\$ 2,768
2014	885
	<u>\$ 3,653</u>

4. Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Education/scholarship	\$ 15,392	\$ 11,683
Building/equipment	10,000	10,000
Experiential activities	14,672	-
	<u>\$ 40,064</u>	<u>\$ 21,683</u>

Net assets were released from donor restrictions during 2012 and 2011 by occurrence of events specified by donors as follows:

	<u>2012</u>	<u>2011</u>
Education/scholarship	\$ 3,792	\$ 20,231
Building/ equipment	-	15,000
Mental health services	67,500	118,577
Experiential activities	32,428	18,163
	<u>\$ 103,720</u>	<u>\$ 171,971</u>

AMikids Miami-Dade, Inc.
Notes to Financial Statements
June 30, 2012
(With comparative financial information for 2011)

5. Related Party Transactions

As stated in Note 1, AMikids executes the contracts, collects funds, coordinates the operations and manages the record keeping of the Institute. For providing these and other services, AMikids retained \$188,396 and \$190,274 from state contracts in fiscal 2012 and 2011, respectively, which are not included in the accompanying financial statements. Amounts to be retained are determined by AMikids management.

The Institute periodically enters into transactions with AMikids and affiliated Institutes for intercompany billings of common costs and services received or rendered. The Institute may also enter into other financing transactions with AMikids. These amounts are non-interest bearing and have no maturity date or collateral.

Due from AMikids and affiliated Institutes at June 30, 2012 and 2011 consists of:

	<u>2012</u>	<u>2011</u>
Affiliate trade receivables	\$ 136,901	\$ 150,103

Due to AMikids and affiliated Institutes at June 30, 2012 and 2011 consists of:

	<u>2012</u>	<u>2011</u>
Affiliate trade payables	\$ 41,873	\$ 39,537

6. Pension Plan

AMikids maintains a noncontributory defined contribution money purchase pension plan covering all full-time employees who have completed two years of service and have attained the age of 20 ½ years. Contributions to the plan are based on a percentage of each employee's compensation for the year. The pension expense for the years ended June 30, 2012 and 2011 totaled \$60,839 and \$70,087 respectively.

7. Contingencies

A substantial portion of AMikids and the Institute's public support is derived from programs supported by various funding agencies. Under the terms of the agreements with these funding agencies, AMikids and the Institute's financial records are subject to audit by the appropriate governmental authorities. Depending upon the results of these audits, if any, funds may be required to be refunded to the appropriate funding agency. In the opinion of AMikids and the Institute's management, no public support funds will be required to be refunded. Accordingly, no provision for such contingency has been made in these financial statements.

The Institute is subject to various claims and legal proceedings, which arise in the ordinary course of business. The Institute does not believe that these matters will have a material adverse effect on its financial position or operating activities.

AMIkids Miami-Dade, Inc.
Notes to Financial Statements
June 30, 2012
(With comparative financial information for 2011)

8. Regional Revenues

Included in Regional revenues are revenues from the Miami-Dade County School system related to services provided by the Institute.

Total received for the year ended June 30, 2012	\$646,818
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Total expended through the year June 30, 2012	\$646,818
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9. Subsequent events

The Institute has evaluated events and transactions occurring subsequent to June 30, 2012 as of September 10, 2012 which is the date the financial statements were issued. Subsequent events occurring after September 10, 2012 have not been evaluated by management. No material events have occurred since June 30, 2012 that require recognition or disclosure in the financial statement



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*

The Board of Directors
AMikids Miami-Dade, Inc.

We have audited the financial statements of AMikids Miami-Dade, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated September 10, 2012. 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.

Internal Control Over Financial Reporting

Management of AMikids Miami-Dade, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered AMikids Miami-Dade, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AMikids Miami-Dade, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AMikids Miami-Dade, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of trustees, management, others within the organization and state awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

September 10, 2012