

AMIkids Miami-Dade, Inc.

Financial Statements

June 30, 2013

**(With comparative financial
information for 2012)**

AMIkids Miami-Dade, Inc.
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June 30, 2013
(With comparative financial information for 2012)

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Independent Auditors' Report

The Board of Trustees
AMikids Miami-Dade, Inc.

We have audited the accompanying financial statements of AMikids Miami-Dade, Inc. (the "Institute"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AMikids Miami-Dade, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2013 on our consideration of AMikids Miami-Dade, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AMikids Miami-Dade, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the AMIkids Miami-Dade, Inc. 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 10, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

September 17, 2013

AMIkids Miami-Dade, Inc.
Statement of Financial Position
June 30, 2013
(With comparative financial information for 2012)

	2013	2012
Assets		
Cash and cash equivalents	\$ 82,547	\$ 127,438
Accounts receivable		
Funding agencies	72,852	79,546
Other	9,322	14,791
Prepaid expenses and other	68,613	41,231
Due from AMIkids and affiliated institutes	138,098	136,901
Property and equipment, net	363,223	357,376
Total assets	<u>\$ 734,655</u>	<u>\$ 757,283</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 91,629	\$ 26,062
Accrued expenses	77,208	66,490
Due to AMIkids and affiliated institutes	198,030	41,873
Deferred revenues	60,378	-
Notes payable	881	3,653
Total liabilities	<u>428,126</u>	<u>138,078</u>
Net assets:		
Unrestricted	222,729	579,141
Temporarily restricted	83,800	40,064
Total net assets	<u>306,529</u>	<u>619,205</u>
Total liabilities and net assets	<u>\$ 734,655</u>	<u>\$ 757,283</u>

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

AMikids Miami-Dade, Inc.
Statement of Activities
Year Ended June 30, 2013
(With summarized financial information for 2012)

	Unrestricted	Temporarily Restricted	Totals	
			2013	2012
Public support and revenue:				
Public support:				
State grants	\$ 1,384,205	\$ -	\$ 1,384,205	\$ 1,067,578
Federal support	107,541	-	107,541	106,250
Regional revenue	746,437	-	746,437	849,081
Contributions	53,119	140,288	193,407	177,567
Total public support	2,291,302	140,288	2,431,590	2,200,476
Revenue:				
Interest income	46	2	48	74
Other	8,506	-	8,506	57,004
Total revenue	8,552	2	8,554	57,078
Net assets released from restrictions	96,554	(96,554)	-	-
Total public support and revenue	2,396,408	43,736	2,440,144	2,257,554
Expenses:				
Program services	2,688,093	-	2,688,093	2,342,069
Management and general	64,727	-	64,727	56,676
Total expenses	2,752,820	-	2,752,820	2,398,745
Change in net assets	(356,412)	43,736	(312,676)	(141,191)
Net assets, beginning of year	579,141	40,064	619,205	760,396
Net assets, end of year	\$ 222,729	\$ 83,800	\$ 306,529	\$ 619,205

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

AMikids Miami-Dade, Inc.
Statement of Functional Expenses
Year Ended June 30, 2013
(With summarized financial information for 2012)

	Program Services	Management and General	Totals	
			2013	2012
Salaries	\$ 1,336,167	\$ -	\$ 1,336,167	\$ 1,388,755
Employee benefits and payroll taxes	320,093	-	320,093	335,650
Travel	268,472	-	268,472	21,152
Conferences and training	44,027	-	44,027	27,621
Books and publications	240	-	240	715
Rent and utilities	80,228	312	80,540	75,594
Insurance	140,539	-	140,539	63,344
Telephone	21,520	-	21,520	20,824
Professional fees	18,275	17,452	35,727	21,783
Postage	-	2,796	2,796	2,459
Student supplies and training	215,870	8,577	224,447	206,735
Community development	2,673	1,083	3,756	30,051
Equipment and maintenance	83,177	12,739	95,916	70,978
Interest	1,656	-	1,656	986
Depreciation	77,854	-	77,854	114,987
Other	77,302	21,768	99,070	17,111
Total expenses	<u>\$ 2,688,093</u>	<u>\$ 64,727</u>	<u>\$ 2,752,820</u>	<u>\$ 2,398,745</u>

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

AMIkids Miami-Dade, Inc.
Statement of Cash Flows
Year Ended June 30, 2013
(With comparative financial information for 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ (312,676)	\$ (141,191)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	77,854	114,987
(Gain) loss on disposal of property and equipment	400	-
Donated property and equipment	(510)	-
(Increase) decrease in:		
Accounts receivable	12,163	9,737
Prepaid expenses and other	(27,382)	944
Due from AMIkids and affiliated institutes	(1,197)	13,202
Increase (decrease) in:		
Accounts payable	65,567	399
Accrued expenses	10,718	(21,349)
Due to AMIkids and affiliated institutes	(2,843)	2,336
Net cash used in operating activities	<u>(177,906)</u>	<u>(20,935)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(23,213)</u>	<u>(12,972)</u>
Cash flows from financing activities:		
Proceeds from new borrowings from affiliates	322,400	-
Payments on affiliate notes payable	(163,400)	-
Payments on third party notes payable	(2,772)	(2,396)
Net cash provided by (used in) financing activities	<u>156,228</u>	<u>(2,396)</u>
Net decrease in cash and cash equivalents	<u>(44,891)</u>	<u>(36,302)</u>
Cash and cash equivalents at beginning of year	127,438	163,740
Cash and cash equivalents at end of year	<u>\$ 82,547</u>	<u>\$ 127,438</u>
Cash paid for interest	<u>\$ 1,656</u>	<u>\$ 986</u>
Supplemental disclosure of noncash investing and operating activities:		
Financed or other noncash acquisitions of property and equipment	<u>\$ 60,378</u>	<u>\$ -</u>

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

AMikids Miami-Dade, Inc.
Notes to Financial Statements
June 30, 2013
(With comparative financial information for 2012)

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, and New Mexico. 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
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(With comparative financial information for 2012)

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, 2013 and 2012 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
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(With comparative financial information for 2012)

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, 2013 and 2012, 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, 2013. 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 and cash equivalents, 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 has no Level 1, 2 or Level 3 instruments.

AMIkids Miami-Dade, Inc.
Notes to Financial Statements
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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's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Summarized Financial Information for 2012

The financial information for the year ended June 30, 2012 is presented for comparative purposes and is not intended to be a complete presentation. Certain 2012 amounts have been reclassified to conform with the 2013 presentation.

2. Property and Equipment

Property and equipment at June 30, 2013 and 2012 consists of:

	2013	2012
Land and permanent site improvements	\$ 15,879	\$ 15,879
Buildings and improvements	1,949,906	1,940,129
Furniture, fixtures and equipment (including capitalized lease obligations of \$9,422)	286,297	191,676
Motor vehicles	45,689	45,689
Boats, motors and trailers	123,578	110,434
Construction in progress	-	5,000
	<u>2,421,350</u>	<u>2,308,808</u>
Less accumulated depreciation	(2,058,127)	(1,951,432)
	<u>\$ 363,223</u>	<u>\$ 357,376</u>

AMikids Miami-Dade, Inc.
Notes to Financial Statements
June 30, 2013
(With comparative financial information for 2012)

3. Notes Payable

Notes payable at June 30, 2013 and 2012 consists of:

	2013	2012
Note payable in monthly installments of \$130, including interest at 14.52%, due September 2013; collateralized by equipment under capital lease	\$ 377	\$ 1,773
Note payable in monthly installments of \$130, including interest at 14.52%, due September 2013; collateralized by equipment under capital lease	504	1,880
	<u>\$ 881</u>	<u>\$ 3,653</u>

Annual maturities of notes payable are as follows:

Year ended June 30,

2014	<u>\$ 881</u>
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4. Restricted Net Assets

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

	2013	2012
Education/scholarship	\$ 24,801	\$ 15,392
Building/equipment	2,500	10,000
Mental health services	34,209	-
Experiential activities	2,290	14,672
Other	20,000	-
	<u>\$ 83,800</u>	<u>\$ 40,064</u>

Net assets were released from donor restrictions during 2013 and 2012 by occurrence of events specified by donors as follows:

	2013	2012
Education/scholarship	\$ 595	\$ 3,792
Building/ equipment	2,500	-
Mental health services	40,790	67,500
Experiential activities	52,169	32,428
Other	500	-
	<u>\$ 96,554</u>	<u>\$ 103,720</u>

AMikids Miami-Dade, Inc.
Notes to Financial Statements
June 30, 2013
(With comparative financial information for 2012)

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 was paid \$98,104 and \$16,678 in fiscal 2013 and 2012, respectively, which was recorded as other expense included in program services and management and general in the accompanying statement of functional expenses. In addition, AMikids retained \$153,810 and \$188,396 from state contracts in fiscal 2013 and 2012, 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. Except as noted below, these amounts are non-interest bearing and have no maturity date or collateral.

Due from AMikids and affiliated Institutes at June 30, 2013 and 2012 consists of:

	<u>2013</u>	<u>2012</u>
Affiliate trade receivables	\$ 138,098	\$ 136,901

Due to AMikids and affiliated Institutes at June 30, 2013 and 2012 consists of:

	<u>2013</u>	<u>2012</u>
Affiliate trade payables	\$ 39,030	\$ 41,873
Note payable to AMikids, due Jan 2014		
interest charges accruing at		
2.50% per annum; Unsecured	159,000	-
Affiliate trade payables	<u>\$ 198,030</u>	<u>\$ 41,873</u>

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, 2013 and 2012 totaled \$53,656 and \$60,839 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

AMIkids Miami-Dade, Inc.
Notes to Financial Statements
June 30, 2013
(With comparative financial information for 2012)

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.

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, 2013	\$571,431
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Total expended through the year June 30, 2013	\$571,431
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9. Subsequent events

The Institute has evaluated events and transactions occurring subsequent to June 30, 2013 as of September 17, 2013 which is the date the financial statements were issued. Subsequent events occurring after September 17, 2013 have not been evaluated by management. No material events have occurred since June 30, 2013 that require recognition or disclosure in the financial statement



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors
AMikids Miami-Dade, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of AMikids Miami-Dade, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free 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 Standards*.

Purpose of this Report

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

Cross, Fernandez & Riley, LLP

Certified Public Accountants

September 17, 2013