

**Dade Marine
Institute, Inc.**

Financial Statements

June 30, 2004

**(With comparative financial
information for 2003)**

DADE MARINE INSTITUTE, INC.

Contents

June 30, 2004

(With comparative financial information for 2003)

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Independent Auditors' Report

The Board of Trustees
Dade Marine Institute, Inc.

We have audited the accompanying combined statement of financial position of Dade Marine Institute, Inc. as of June 30, 2004, and the related combined statements of activities, functional expenses, and cash flows for the year then ended. These combined financial statements are the responsibility of Dade Marine Institute, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The summarized comparative financial information for 2003 has been derived from the combined financial statements Dade Marine Institute, Inc as of and for the year ended June 30, 2003, which were audited by other auditors whose report dated August 15, 2003 expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Dade Marine Institute, Inc as of June 30, 2004, and the results of their activities and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Certified Public Accountants

August 16, 2004

DADE MARINE INSTITUTE, INC.
Statement of Financial Position
June 30, 2004
(With comparative financial information for 2003)

	2004	2003
Assets		
Cash and cash equivalents	\$ 400,792	\$ 152,426
Accounts receivable		
Other	3,199	1,233
Prepaid expenses and other	43,046	48,603
Due from AMI and affiliated institutes	104,387	118,204
Property and Equipment, net	1,171,517	1,241,042
	<u>\$ 1,722,941</u>	<u>\$ 1,561,508</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,004	\$ 4,953
Accrued expenses	35,933	21,913
Due to AMI and affiliated institutes	230,273	221,807
Deferred Revenues	-	31,328
Long-term debt	254,202	304,364
Total liabilities	<u>521,412</u>	<u>584,365</u>
Net assets:		
Unrestricted	1,173,336	940,268
Temporarily restricted	28,193	36,875
Total net assets	<u>1,201,529</u>	<u>977,143</u>
Total liabilities and net assets	<u>\$ 1,722,941</u>	<u>\$ 1,561,508</u>

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

DADE MARINE INSTITUTE, INC.**Statement of Activities****Year Ended June 30, 2004****(With summarized financial information for 2003)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2004</u>	<u>2003</u>
Public support and revenue:				
Public support:				
State grants	\$ 981,683	\$ -	\$ 981,683	\$ 980,588
Regional Revenue	930,433	-	930,433	770,687
Contributions	67,669	15,800	83,469	65,811
Total public support	<u>1,979,785</u>	<u>15,800</u>	<u>1,995,585</u>	<u>1,817,086</u>
Revenue:				
Interest income	461	1,905	2,366	433
Other	53,489	-	53,489	55,014
Total revenue	<u>53,950</u>	<u>1,905</u>	<u>55,855</u>	<u>55,447</u>
Net assets released from restrictions	26,387	(26,387)	-	-
Total public support and revenue	<u>2,060,122</u>	<u>(8,682)</u>	<u>2,051,440</u>	<u>1,872,533</u>
Expenses:				
Marine Program	1,786,066	-	1,786,066	1,865,274
Management and general	40,988	-	40,988	49,860
Total expenses	<u>1,827,054</u>	<u>-</u>	<u>1,827,054</u>	<u>1,915,134</u>
Change in net assets	<u>233,068</u>	<u>(8,682)</u>	<u>224,386</u>	<u>(42,601)</u>
Net assets, beginning of year	940,268	36,875	977,143	1,019,744
Net assets, end of year	<u>\$ 1,173,336</u>	<u>\$ 28,193</u>	<u>\$ 1,201,529</u>	<u>\$ 977,143</u>

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

DADE MARINE INSTITUTE, INC.
Statement of Functional Expenses
Year Ended June 30, 2004
(With summarized financial information for 2003)

	Marine Program	Management and General	Totals	
			2004	2003
Salaries	\$ 1,003,148	\$ -	\$ 1,003,148	\$ 1,092,694
Employee benefits and payroll taxes	310,262	-	310,262	304,809
Travel	14,796	-	14,796	16,446
Conferences and training	48,412	-	48,412	25,986
Books and publications	155	-	155	239
Rent and utilities	31,669	859	32,528	29,528
Insurance	56,199	-	56,199	62,700
Telephone	26,167	-	26,167	18,426
Professional fees	-	7,394	7,394	7,508
Postage	-	1,165	1,165	2,404
Student supplies and training	86,974	7,009	93,983	92,070
Community development	7,344	-	7,344	13,557
Equipment and maintenance	29,845	4,522	34,367	46,217
Interest	10,399	-	10,399	9,859
Depreciation	153,498	-	153,498	165,178
Other	7,198	20,039	27,237	27,513
Total expenses	<u>\$ 1,786,066</u>	<u>\$ 40,988</u>	<u>\$ 1,827,054</u>	<u>\$ 1,915,134</u>

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

DADE MARINE INSTITUTE, INC.
Statement of Cash Flows
Year Ended June 30, 2004
(With comparative financial information for 2003)

	2004	2003
Cash flows from operating activities:		
Change in net assets	\$ 224,386	\$ (42,601)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	153,498	165,178
(Gain) loss on disposal of property and equipment	(13,500)	1,063
(Increase) decrease in:		
Accounts receivable	(1,966)	920
Prepaid expenses and other	5,557	(4,327)
Due from AMI and affiliated institutes	13,817	4,545
Increase (decrease) in:		
Accounts payable	(3,949)	(10,413)
Accrued expenses	14,020	(15,454)
Deferred revenues	(31,328)	13,333
Due to AMI and affiliated institutes	8,466	(2,924)
Net cash provided by operating activities	<u>369,001</u>	<u>109,320</u>
Cash flows from investing activities:		
Proceeds from Sale of Property	13,500	1,000
Purchases of property and equipment	<u>(83,973)</u>	<u>(15,327)</u>
Net cash used by investing activities	<u>(70,473)</u>	<u>(14,327)</u>
Cash flows from financing activities:		
Proceeds from new borrowings from third parties	18,416	177,000
Payments on affiliate notes payable	-	(185,629)
Payments on long-term debt	<u>(68,578)</u>	<u>(42,996)</u>
Net cash used by financing activities	<u>(50,162)</u>	<u>(51,625)</u>
Net increase in cash and cash equivalents	248,366	43,368
Cash and cash equivalents at beginning of year	152,426	109,058
Cash and cash equivalents at end of year	<u>\$ 400,792</u>	<u>\$ 152,426</u>
Cash paid for interest	<u>\$ 10,399</u>	<u>\$ 9,859</u>

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

DADE MARINE INSTITUTE, INC.
Notes to Financial Statements
June 30, 2004
(With comparative financial information for 2003)

1. Summary of Significant Accounting Policies

Organization

Dade Marine Institute, Inc. (the "Institute"), a non-profit corporation, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Institute is engaged in the rehabilitation of delinquent youth by providing education, training, discipline and productive work in a marine environment. These services are performed by the Institute, which is one of over fifty affiliated, but independently governed member institutes and schools located in Florida, South Carolina, Louisiana, Virginia, Georgia, Texas, New Mexico, and Illinois. Associated Marine Institutes, Inc. ("AMI") is the parent organization. AMI is located in Florida and executes the contracts, collects funds, coordinates the operations and manages the record keeping of these member institutes 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 AMI's state contracts and local agencies as well as financial and other support from AMI.

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.

Accounts Receivable

At June 30, 2004, accounts receivable consisted 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.

DADE MARINE INSTITUTE, INC.

Notes to Financial Statements

June 30, 2004

(With comparative financial information for 2003)

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 and amortization is calculated using the straight-line method over the following estimated useful lives of the assets (term of the lease as to leasehold improvements):

Permanent site improvements	3-30 years
Buildings and leasehold improvements	5-30 years
Furniture, fixtures and equipment	3-5 years
Motor vehicles	3-5 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.

Management has reviewed its long-lived assets for impairment and has determined that there has not been an impairment loss during the year ended June 30, 2004.

Deferred Revenue

Deferred revenue is related to grant payments received in advance of revenue recognition.

Public Support and Revenue

Public support is primarily from AMI'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 AMI'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 not subject to the provisions of Statement of Financial Accounting Standards No. 116 and are deemed to be earned and reported as revenue when such funds have been expended towards the designated purpose.

DADE MARINE INSTITUTE, INC.

Notes to Financial Statements

June 30, 2004

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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. If a donor restriction is received and released in the same reporting period, it is reported as unrestricted support.

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 year ended June 30, 2004, donated services recorded in the financial statements were not material to the financial statements.

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

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

Summarized Financial Information for 2003

The financial information for the year ended June 30, 2003 is presented for comparative purposes and is not intended to be a complete presentation.

DADE MARINE INSTITUTE, INC.
Notes to Financial Statements
June 30, 2004
(With comparative financial information for 2003)

2. Property and Equipment

Property and equipment at June 30, 2004 and 2003 consists of:

	2004	2003
Land and Permanent site improvements	\$ 27,650	\$ 27,650
Building and leasehold improvements	1,910,429	1,910,429
Furniture, fixtures and equipment (including capitalized lease obligations of \$59,738)	223,762	222,293
Motor vehicles	90,977	55,074
Boats, motors and trailers	105,572	115,675
	2,358,390	2,331,121
Less accumulated depreciation and amortization	(1,186,875)	(1,090,079)
	<u>\$ 1,171,517</u>	<u>\$ 1,241,042</u>

3. Long Term Debt

Debt at June 30, 2004 and 2003 consists of:

	2004	2003
Mortgage payable in monthly installments of \$1,146, plus variable interest at 90% of prime, (3.77% at June 30, 2004) due November 2011, with call provisions in November 2006, collateralized by buildings	\$ 98,542	\$ 112,292
Note payable in monthly installments of \$1,150 including interest at 5.82%, due February 2006, capitalized lease obligation related to equipment	22,910	34,036
Mortgage payable, monthly installments of \$2,107, including interest at a variable rate of .75%, under the bank's prime rate (interest rate at June 30, 2004 was 3.5%) due August 2009; collateralized by buildings	132,750	158,036
	<u>\$ 254,202</u>	<u>\$ 304,364</u>

Annual maturities of debt for the next five years and thereafter are as follows:

Year ended June 30,

2005	\$ 51,902
2006	49,080
2007	39,036
2008	39,036
2009	39,036
Thereafter	36,112
	<u>\$ 254,202</u>

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4. Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2004	2003
Education/scholarship	\$ 21,943	\$ 34,225
Other	6,250	2,650
	<u>\$ 28,193</u>	<u>\$ 36,875</u>

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

	2004	2003
Education/scholarship	\$ 14,187	\$ 32,063
Other	12,200	-
	<u>\$ 26,387</u>	<u>\$ 32,063</u>

5. Related Party Transactions

As stated in Note 1, AMI executes the contracts, collects funds, coordinates the operations and manages the record keeping of the Institute. For providing these and other services, AMI retained \$173,238 and \$173,045 from state contracts in fiscal 2004 and 2003, respectively, prior to distributing such funds to the Institute. Amounts to be retained from state funds and paid from local funds are determined by AMI management.

The Institute periodically enters into transactions with AMI and affiliated institutes for intercompany billings of common costs and services received or rendered. The Institute may also enter into other financing transactions with AMI. Except as noted below, these amounts are non-interest bearing and have no maturity date or collateral.

Due from AMI and affiliated institutes at June 30, 2004 and 2003 consists of:

	2004	2003
Affiliate trade Receivables	<u>\$ 104,387</u>	<u>\$ 118,204</u>

Due to AMI and affiliated institutes at June 30, 2004 and 2003 consists of:

	2004	2003
Affiliate trade payables	<u>\$ 230,273</u>	<u>\$ 221,807</u>

DADE MARINE INSTITUTE, INC.
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6. Pension Plan

AMI 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 1/2 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, 2004 and 2003 totaled \$46,296 and \$53,475, respectively.

7. Contingencies

A substantial portion of AMI 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, AMI 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 AMI 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.

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, 2004	\$753,194
Total expended through the year June 30, 2004	\$753,194