

# **AMIkids Miami-Dade, Inc.**

**Financial Statements**

**June 30, 2014**

**(With comparative financial  
information for 2013)**

**AMIkids Miami-Dade, Inc.**

**Contents**

**June 30, 2014**

**(With comparative financial information for 2013)**

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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, 2014, 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, 2014, 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, 2014 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. 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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, 2014

**AMIkids Miami-Dade, Inc.**  
**Statement of Financial Position**  
**June 30, 2014**  
**(With comparative financial information for 2013)**

	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 127,483	\$ 82,547
Accounts receivable		
Funding agencies	60,110	72,852
Other	8,879	9,322
Prepaid expenses and other	64,253	68,613
Due from AMIkids and affiliated institutes	179,381	138,098
Property and equipment, net	280,942	363,223
Total assets	<u>\$ 721,048</u>	<u>\$ 734,655</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 51,078	\$ 91,629
Accrued expenses	74,962	77,208
Due to AMIkids and affiliated institutes	101,307	198,030
Deferred revenues	38,883	60,378
Notes payable	9,604	881
Total liabilities	<u>275,834</u>	<u>428,126</u>
<b>Net assets:</b>		
Unrestricted	337,748	222,729
Temporarily restricted	107,466	83,800
Total net assets	<u>445,214</u>	<u>306,529</u>
Total liabilities and net assets	<u>\$ 721,048</u>	<u>\$ 734,655</u>

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



**AMilkids Miami-Dade, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2014**  
**(With summarized financial information for 2013)**

	Unrestricted	Temporarily Restricted	Totals	
			2014	2013
<b>Public support and revenue:</b>				
Public support:				
State grants	\$ 1,294,256	\$ -	\$ 1,294,256	\$ 1,384,205
Federal support	135,034	-	135,034	107,541
Regional revenue	886,490	-	886,490	746,437
Contributions	71,041	136,210	207,251	193,407
Total public support	2,386,821	136,210	2,523,031	2,431,590
Revenue:				
Interest income	37	4	41	48
Other	52,061	-	52,061	8,506
Total revenue	52,098	4	52,102	8,554
Net assets released from restrictions	112,548	(112,548)	-	-
Total public support and revenue	2,551,467	23,666	2,575,133	2,440,144
<b>Expenses:</b>				
Program services	2,376,315	-	2,376,315	2,688,093
Management and general	60,133	-	60,133	64,727
Total expenses	2,436,448	-	2,436,448	2,752,820
<b>Change in net assets</b>	115,019	23,666	138,685	(312,676)
Net assets, beginning of year	222,729	83,800	306,529	619,205
Net assets, end of year	\$ 337,748	\$ 107,466	\$ 445,214	\$ 306,529

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

**AMIkids Miami-Dade, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2014**  
**(With summarized financial information for 2013)**

	Program Services	Management and General	Totals	
			2014	2013
Salaries	\$ 1,218,985	\$ -	\$ 1,218,985	\$ 1,336,167
Employee benefits and payroll taxes	307,177	-	307,177	320,093
Travel	69,644	-	69,644	268,472
Conferences and training	32,161	-	32,161	44,027
Books and publications	-	-	-	240
Rent and utilities	80,018	458	80,476	80,540
Insurance	116,101	-	116,101	140,539
Telephone	22,281	-	22,281	21,520
Professional fees	15,070	15,533	30,603	35,727
Postage	-	2,330	2,330	2,796
Student supplies and training	252,014	7,607	259,621	224,447
Community development	12,318	1,641	13,959	3,756
Equipment and maintenance	71,897	10,830	82,727	95,916
Interest	6,260	-	6,260	1,656
Depreciation	98,909	-	98,909	77,854
Other	73,480	21,734	95,214	99,070
Total expenses	\$ 2,376,315	\$ 60,133	\$ 2,436,448	\$ 2,752,820

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

**AMIkids Miami-Dade, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2014**  
**(With comparative financial information for 2013)**

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 138,685	\$ (312,676)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	98,909	77,854
(Gain) loss on disposal of property and equipment	(8,680)	400
Donated property and equipment	(999)	(510)
(Increase) decrease in:		
Accounts receivable	13,185	12,163
Prepaid expenses and other	4,360	(27,382)
Due from AMIkids and affiliated institutes	(41,283)	(1,197)
Increase (decrease) in:		
Accounts payable	(40,551)	65,567
Accrued expenses	(2,246)	10,718
Deferred revenues	(21,495)	-
Due to AMIkids and affiliated institutes	20,777	(2,843)
Net cash provided by (used in) operating activities	<u>160,662</u>	<u>(177,906)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property and equipment	10,250	-
Purchases of property and equipment	<u>(5,963)</u>	<u>(23,213)</u>
Net cash provided by (used in) investing activities	<u>4,287</u>	<u>(23,213)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from new borrowings from affiliates	169,600	322,400
Payments on affiliate notes payable	(287,100)	(163,400)
Payments on third party notes payable	<u>(2,513)</u>	<u>(2,772)</u>
Net cash provided by (used in) financing activities	<u>(120,013)</u>	<u>156,228</u>
Net increase (decrease) in cash and cash equivalents	44,936	(44,891)
Cash and cash equivalents at beginning of year	82,547	127,438
Cash and cash equivalents at end of year	<u>\$ 127,483</u>	<u>\$ 82,547</u>
Cash paid for interest	<u>\$ 6,260</u>	<u>\$ 1,656</u>
<b>Supplemental disclosure of noncash investing and operating activities:</b>		
Financed or other noncash acquisitions of property and equipment	<u>\$ 11,236</u>	<u>\$ 60,378</u>

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



**AMIkids Miami-Dade, Inc.**  
**Notes to Financial Statements**  
**June 30, 2014**  
**(With comparative financial information for 2013)**

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**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 fifty affiliated, but independently governed member programs and schools located in Florida, South Carolina, North Carolina, Louisiana, Virginia, Georgia, Texas, and New Mexico. The Institute's educational component is accredited by AdvancED, a global accrediting agency dedicated to advancing excellence in schools, universities, and educational agencies. 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, 2014**  
**(With comparative financial information for 2013)**

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**Property and Equipment**

Property and equipment are stated at cost, if purchased, or at estimated fair value at date of receipt if donated. 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, 2014 and 2013 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, 2014**  
**(With comparative financial information for 2013)**

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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.

**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, 2014 and 2013, 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. 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.

**AMlkids Miami-Dade, Inc.**  
**Notes to Financial Statements**  
**June 30, 2014**  
**(With comparative financial information for 2013)**

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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**

AMlkids 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 2013**

The financial information for the year ended June 30, 2013 is presented for comparative purposes and is not intended to be a complete presentation.

**2. Property and Equipment**

Property and equipment at June 30, 2014 and 2013 consists of:

	2014	2013
Land and permanent site improvements	\$ 15,879	\$ 15,879
Buildings and improvements	1,949,906	1,949,906
Furniture, fixtures and equipment (including capitalized lease obligations of \$11,236)	236,414	286,297
Motor vehicles	45,689	45,689
Boats, motors and trailers	102,880	123,578
	2,350,769	2,421,350
Less accumulated depreciation	(2,069,827)	(2,058,127)
	<u>\$ 280,942</u>	<u>\$ 363,223</u>

**AMlkids Miami-Dade, Inc.**  
**Notes to Financial Statements**  
**June 30, 2014**  
**(With comparative financial information for 2013)**

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**3. Notes Payable**

Notes payable at June 30, 2014 and 2013 consists of:

	<u>2014</u>	<u>2013</u>
Note payable in monthly installments of \$137, including interest at 4.8%, due Oct 2017; capitalized lease obligation related to equipment	\$ 4,802	\$ -
Note payable in monthly installments of \$130, including interest at 14.52%, paid Sep 2013; capitalized lease obligation related to equipment	-	377
Note payable in monthly installments of \$137, including interest at 4.8%, due Oct 2017; capitalized lease obligation related to equipment	4,802	-
Note payable in monthly installments of \$130, including interest at 14.52%, paid Sep 2013; capitalized lease obligation related to equipment	-	504
	<u>\$ 9,604</u>	<u>\$ 881</u>

Annual maturities of notes payable are as follows:

**Year ended June 30,**

2015	\$ 2,618
2016	2,836
2017	3,070
2018	1,080
	<u>\$ 9,604</u>



**AMIkids Miami-Dade, Inc.**  
**Notes to Financial Statements**  
**June 30, 2014**  
**(With comparative financial information for 2013)**

**4. Restricted Net Assets**


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

	2014	2013
Education/scholarship	\$ 28,457	\$ 24,801
Building/equipment	7,500	2,500
Mental health services	-	34,209
Experiential activities	24,526	2,290
Behavior interventionist and other	46,983	20,000
	<u>\$ 107,466</u>	<u>\$ 83,800</u>

Net assets were released from donor restrictions during 2014 and 2013 by occurrence of events specified by donors as follows:

	2014	2013
Education/scholarship	\$ 8,847	\$ 595
Building/equipment	-	2,500
Mental health services	34,209	40,790
Experiential activities	26,974	52,169
Behavior interventionist and other	42,518	500
	<u>\$ 112,548</u>	<u>\$ 96,554</u>

**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 \$93,291 and \$98,104 in fiscal 2014 and 2013, 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 \$143,841 and \$153,810 from state contracts in fiscal 2014 and 2013, 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, 2014 and 2013 consists of:

	2014	2013
Affiliate trade receivables	<u>\$ 179,381</u>	<u>\$ 138,098</u>

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

Due to AMIkids and affiliated Institutes at June 30, 2014 and 2013 consists of:

	2014	2013
Affiliate trade payables	\$ 59,807	\$ 39,030
Note payable to AMIkids, due Jan 2015 interest charges accruing at 3.05% per annum; Unsecured	41,500	159,000
	<u>\$ 101,307</u>	<u>\$ 198,030</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, 2014 and 2013 totaled \$52,168 and \$53,656 respectively.

**7. Contingencies**

*Note \** 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.

*Note \** 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. Subsequent events**

The Institute has evaluated events and transactions occurring subsequent to June 30, 2014 as of September 17, 2014 which is the date the financial statements were issued. Subsequent events occurring after September 17, 2014 have not been evaluated by management. No material events have occurred since June 30, 2014 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 "Institute"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses 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, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Institute'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 Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 Institute'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, 2014