

**Dade Marine
Institute, Inc.**
Financial Statements
June 30, 2006
(With comparative financial
information for 2005)

MANAGEMENT AN
PLANNING AND
2006 NOV -6 AM 9:51

DADE MARINE INSTITUTE, INC.
Contents
June 30, 2006
(With comparative financial information for 2005)

	Page(s)
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
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 <i>Government Auditing Standards</i>	12



Independent Auditors' Report

The Board of Trustees
Dade Marine Institute, Inc.

We have audited the accompanying statement of financial position of Dade Marine Institute, Inc. as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These 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 2005 has been derived from the financial statements of Dade Marine Institute, Inc as of and for the year ended June 30, 2005, and, in our report dated August 16, 2005 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 the Company'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 Dade Marine Institute, Inc as of June 30, 2006, 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 August 15, 2006 on our consideration of Dade Marine Institute, 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 controls 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

August 15, 2006

DADE MARINE INSTITUTE, INC.
Statement of Financial Position
June 30, 2006
(With comparative financial information for 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 74,157	\$ 383,369
Accounts receivable		
Funding agencies	56,586	-
Other	8,573	1,200
Prepaid expenses and other	38,206	45,807
Due from AMI and affiliated institutes	534,772	125,837
Property and Equipment, net	929,932	1,050,441
Total assets	<u>\$ 1,642,226</u>	<u>\$ 1,606,654</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ -	\$ 4,087
Accrued expenses	38,810	30,420
Due to AMI and affiliated institutes	27,997	25,746
Long-term debt	31,545	97,460
Total liabilities	<u>98,352</u>	<u>157,713</u>
Net assets:		
Unrestricted	1,506,247	1,422,252
Temporarily restricted	37,627	26,689
Total net assets	<u>1,543,874</u>	<u>1,448,941</u>
Total liabilities and net assets	<u>\$ 1,642,226</u>	<u>\$ 1,606,654</u>

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

DADE MARINE INSTITUTE, INC.
Statement of Activities
Year Ended June 30, 2006
(With summarized financial information for 2005)

	Temporarily		Totals	
	Unrestricted	Restricted	2006	2005
Public support and revenue:				
Public support:				
State grants	\$ 1,016,746	\$ -	\$ 1,016,746	\$ 981,127
Regional Revenue	934,695	-	934,695	850,195
Contributions	68,770	58,200	126,970	109,655
Total public support	<u>2,020,211</u>	<u>58,200</u>	<u>2,078,411</u>	<u>1,940,977</u>
Revenue:				
Forgiveness of Debt	-	-	-	174,397
Interest income	2,810	1,617	4,427	758
Other	26,529	-	26,529	4,742
Total revenue	<u>29,339</u>	<u>1,617</u>	<u>30,956</u>	<u>179,897</u>
Net assets released from restrictions	48,879	(48,879)	-	-
Total public support and revenue	<u>2,098,429</u>	<u>10,938</u>	<u>2,109,367</u>	<u>2,120,874</u>
Expenses:				
Marine Program	1,972,722	-	1,972,722	1,824,776
Management and general	41,712	-	41,712	48,686
Total expenses	<u>2,014,434</u>	<u>-</u>	<u>2,014,434</u>	<u>1,873,462</u>
Change in net assets	83,995	10,938	94,933	247,412
Net assets, beginning of year	1,422,252	26,689	1,448,941	1,201,529
Net assets, end of year	<u>\$ 1,506,247</u>	<u>\$ 37,627</u>	<u>\$ 1,543,874</u>	<u>\$ 1,448,941</u>

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

DADE MARINE INSTITUTE, INC.
Statement of Functional Expenses
Year Ended June 30, 2006
(With summarized financial information for 2005)

	Marine	Management	Totals	
	Program	and General	2006	2005
Salaries	\$ 1,159,359	\$ -	\$ 1,159,359	\$ 1,041,099
Employee benefits and payroll taxes	253,444	-	253,444	289,689
Travel	11,194	-	11,194	9,469
Conferences and training	57,428	-	57,428	49,882
Books and publications	784	-	784	256
Rent and utilities	39,311	546	39,857	34,574
Insurance	68,175	-	68,175	66,955
Telephone	21,217	-	21,217	24,347
Professional fees	-	5,756	5,756	7,722
Postage	-	2,144	2,144	1,185
Student supplies and training	142,032	9,530	151,562	101,669
Community development	8,843	-	8,843	2,388
Equipment and maintenance	55,999	6,510	62,509	42,859
Interest	3,903	-	3,903	7,511
Depreciation	148,623	-	148,623	146,435
Other	2,410	17,226	19,636	47,422
Total expenses	\$ 1,972,722	\$ 41,712	\$ 2,014,434	\$ 1,873,462

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

DADE MARINE INSTITUTE, INC.
Statement of Cash Flows
Year Ended June 30, 2006
(With comparative financial information for 2005)

	2006	2005
Cash flows from operating activities:		
Change in net assets	\$ 94,933	\$ 247,412
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	148,623	146,435
Loss on disposal of property and equipment	1,609	17,922
Forgiveness of Debt	-	(174,397)
Donated Land, building and equipment	(25,000)	-
(Increase) decrease in:		
Accounts receivable	(63,959)	1,999
Prepaid expenses and other	7,601	(2,761)
Due from AMI and affiliated institutes	(408,935)	(21,450)
Increase (decrease) in:		
Accounts payable	(4,087)	3,083
Accrued expenses	8,390	(5,513)
Due to AMI and affiliated institutes	2,251	(30,130)
Net cash provided (used) by operating activities	<u>(238,574)</u>	<u>182,600</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(4,723)</u>	<u>(43,279)</u>
Net cash used by investing activities	<u>(4,723)</u>	<u>(43,279)</u>
Cash flows from financing activities:		
Proceeds from new borrowings from third parties	-	46,552
Payments on long-term debt	<u>(65,915)</u>	<u>(203,296)</u>
Net cash used by financing activities	<u>(65,915)</u>	<u>(156,744)</u>
Net decrease in cash and cash equivalents	<u>(309,212)</u>	<u>(17,423)</u>
Cash and cash equivalents at beginning of year	383,369	400,792
Cash and cash equivalents at end of year	<u>\$ 74,157</u>	<u>\$ 383,369</u>
Cash paid for interest	<u>\$ 3,903</u>	<u>\$ 7,511</u>
Supplemental disclosure of noncash investing and operating activities:		
Financed purchases of property and equipment	<u>\$ -</u>	<u>\$ 24,850</u>

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

DADE MARINE INSTITUTE, INC.
Notes to Financial Statements
June 30, 2006
(With comparative financial information for 2005)

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, Pennsylvania, 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.

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.

DADE MARINE INSTITUTE, INC.
Notes to Financial Statements
June 30, 2006
(With comparative financial information for 2005)

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:

Permanent site improvements	3-30 years
Buildings and 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.

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, 2006
(With comparative financial information for 2005)

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, 2006 and 2005, 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 2005

The financial information for the year ended June 30, 2005 is presented for comparative purposes and is not intended to be a complete presentation.

2. Property and Equipment

Property and equipment at June 30, 2006 and 2005 consists of:

	<u>2006</u>	<u>2005</u>
Land and Permanent site improvements	\$ 27,650	\$ 27,650
Building and leasehold improvements	1,920,729	1,920,731
Furniture, fixtures and equipment (including capitalized lease obligations of \$24,850)	147,432	192,673
Motor vehicles	59,442	59,442
Boats, motors and trailers	111,138	105,457
	<u>2,266,391</u>	<u>2,305,953</u>
Less accumulated depreciation and amortization	<u>(1,336,459)</u>	<u>(1,255,512)</u>
	<u>\$ 929,932</u>	<u>\$ 1,050,441</u>

DADE MARINE INSTITUTE, INC.
Notes to Financial Statements
June 30, 2006
(With comparative financial information for 2005)

3. Long Term Debt

Long-term debt at June 30, 2006 and 2005 consists of:

	<u>2006</u>	<u>2005</u>
Note payable in monthly installments of \$940 including interest at 7.82%, due July 2009, capitalized lease obligation related to equipment	\$ 31,545	\$ 39,996
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, 2006 was 7.50%) due August 2009	-	57,464
	<u>\$ 31,545</u>	<u>\$ 97,460</u>

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

Year ended June 30,	
2007	\$ 9,196
2008	9,941
2009	10,747
2010	1,661
	<u>\$ 31,545</u>

4. Restricted Net Assets

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

	<u>2006</u>	<u>2005</u>
Education/scholarship	\$ 29,627	\$ 26,689
Other	8,000	-
	<u>\$ 37,627</u>	<u>\$ 26,689</u>

Net assets were released from donor restrictions during 2006 and 2005 by occurrence of events specified by donors as follows:

	<u>2006</u>	<u>2005</u>
Education/scholarship	\$ 8,679	\$ 5,335
Other	40,200	7,250
	<u>\$ 48,879</u>	<u>\$ 12,585</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

DADE MARINE INSTITUTE, INC.
Notes to Financial Statements
June 30, 2006
(With comparative financial information for 2005)

\$177,285 and \$173,140 from state contracts in fiscal 2006 and 2005, respectively, prior to distributing such funds to the Institute, which is included in management and general expense in the accompanying statement of activities. 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. These amounts are non-interest bearing and have no maturity date or collateral.

Due from AMI and affiliated institutes at June 30, 2006 and 2005 consists of:

	<u>2006</u>	<u>2005</u>
Affiliate trade Receivables	\$ 534,772	\$ 125,837

Due to AMI and affiliated institutes at June 30, 2006 and 2005 consists of:

	<u>2006</u>	<u>2005</u>
Affiliate trade payables	\$ 27,997	\$ 25,746

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, 2006 and 2005 totaled \$51,953 and \$52,639, 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.

DADE MARINE INSTITUTE, INC.
Notes to Financial Statements
June 30, 2006
(With comparative financial information for 2005)

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, 2006 \$719,367

Total expended for the year ended June 30, 2006 \$719,367

9. Forgiveness of AMI debt

During fiscal year 2005, debt owed by the Institute to AMI of \$174,397 was forgiven by AMI and recorded as revenue.



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
Dade Marine Institute, Inc.

We have audited the financial statements of Dade Marine Institute, Inc. as of and for the year ended June 30, 2006, and have issued our report thereon dated August 15, 2006. 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

In planning and performing our audit, we considered Dade Marine Institute, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dade Marine Institute, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and state awarding agencies and pass-through entities 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

August 15, 2006