

FLORIDA KEYS CHILDREN'S SHELTER, INC.

FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORT

JUNE 30, 2014



FLORIDA KEYS CHILDREN'S SHELTER, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Florida Keys Children's Shelter, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Florida Keys Children's Shelter, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows, and functional expenses 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 the Florida Keys Children's Shelter, 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 Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.650, Rules of the Auditor General of the State of Florida, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

An Independent Member of Baker Tilly International

To the Board of Directors
Florida Keys Children's Shelter, Inc.
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Morrison, Brown, Ariz & Tana

Boca Raton, Florida
December 19, 2014

FLORIDA KEYS CHILDREN'S SHELTER, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 177,483
Grants and contracts receivable	175,159
Prepaid expenses	16,192
Investments	<u>42,373</u>
TOTAL CURRENT ASSETS	411,207
PROPERTY AND EQUIPMENT, NET	710,844
INVESTMENTS	<u>50,000</u>
TOTAL ASSETS	<u>\$ 1,172,051</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 15,606
Accrued expenses	<u>136,114</u>
TOTAL CURRENT LIABILITIES	<u>151,720</u>
NET ASSETS	
Unrestricted	970,331
Permanently restricted	<u>50,000</u>
TOTAL NET ASSETS	<u>1,020,331</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,172,051</u>

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

FLORIDA KEYS CHILDREN'S SHELTER, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

UNRESTRICTED NET ASSETS:	
REVENUE AND SUPPORT	
Federal awards	\$ 182,949
State financial assistance	660,095
Monroe County and other grants	664,195
Contributions	264,085
Special events	48,335
In-kind contributions	101,508
Investment income	21,000
Other income	178,588
Net assets released from restrictions	<u>5,000</u>
TOTAL REVENUE AND SUPPORT	<u>2,125,755</u>
EXPENSES	
Program Services	
Jelesma Emergency Shelter	66,842
Jelesma CINS/FINS Temporary Shelter	702,515
Poinciana Emergency Shelter	182,396
Poinciana Group Home	193,685
Community Based Counselors	259,015
Jelesma Counselors	58,998
Project Lighthouse	132,115
Jelesma Runaway and Homeless Shelter	<u>143,052</u>
TOTAL PROGRAM SERVICES	<u>1,738,618</u>
Support Services	
Management and general	139,844
Fundraising	<u>69,389</u>
TOTAL SUPPORT SERVICES	<u>209,233</u>
TOTAL EXPENSES	<u>1,947,851</u>
INCREASE IN UNRESTRICTED NET ASSETS	177,904
TEMPORARILY RESTRICTED NET ASSETS	
Net assets released from restrictions	<u>(5,000)</u>
NET DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(5,000)</u>
INCREASE IN NET ASSETS	172,904
NET ASSETS - BEGINNING OF YEAR	<u>847,427</u>
NET ASSETS - END OF YEAR	<u>\$ 1,020,331</u>

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

FLORIDA KEYS CHILDREN'S SHELTER, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 172,904
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	53,979
Bad debt expense	1,070
Net realized/unrealized gains on investments	(17,900)
Decrease (increase) in:	
Grants and contracts receivable	8,517
Prepaid expenses	22,861
Increase (decrease) in:	
Accounts payable	1,668
Accrued expenses	(63,793)
TOTAL ADJUSTMENTS	6,402
NET CASH PROVIDED BY OPERATING ACTIVITIES	179,306
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property equipment	(23,935)
Net proceeds from sale of investments	37,773
NET CASH PROVIDED BY INVESTING ACTIVITIES	13,838
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of line of credit	(85,530)
NET CASH USED IN FINANCING ACTIVITIES	(85,530)
NET INCREASE IN CASH AND CASH EQUIVALENTS	107,614
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	69,869
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 177,483
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	\$ 805

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

FLORIDA KEYS CHILDREN'S SHELTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	PROGRAM SERVICES										SUPPORT SERVICES		
	Jelesma Emergency Shelter	Jelesma CINS/FINS Temporary Shelter	Poinciana Emergency Shelter	Poinciana Group Home	Community Based Counselors	Jelesma Counselors	Project Lighthouse	Runaway and Homeless Shelter	Total	Management and General	Fundraising	Total	
Salaries	\$ 36,414	\$ 383,172	\$ 83,694	\$ 90,056	\$ 154,498	\$ 38,817	\$ 54,898	\$ 73,910	\$ 915,459	\$ 50,000	\$ 46,634	\$ 1,012,093	
Payroll taxes and employee benefits	7,704	61,801	11,476	10,732	23,255	5,316	12,052	11,886	144,222	7,321	6,857	153,400	
Total personnel expenses	44,118	444,973	95,170	100,788	177,753	44,133	66,950	85,796	1,059,681	57,321	53,491	1,170,493	
Building occupancy	4,876	58,796	30,727	30,727	36,871	2,634	29,553	11,323	205,507	20,848	2,633	228,988	
Professional services	1,653	19,820	3,534	3,534	3,538	1,177	3,538	4,367	41,161	5,342	1,178	47,681	
Travel and transportation	1,176	6,631	590	4,844	9,546	620	535	1,899	25,841	2,777	1,601	30,219	
Equipment costs	526	6,301	1,211	1,211	1,211	404	1,211	1,390	13,465	2,019	403	15,887	
Food services	3,587	34,818	19,310	20,729	-	-	278	7,702	86,434	297	57	86,788	
Medical and pharmacy	562	6,735	1,756	1,756	-	-	2,669	573	14,051	-	-	14,051	
Insurance	2,225	26,640	4,755	4,755	4,755	1,584	4,755	5,671	55,340	7,922	1,581	64,843	
Operating supplies and expenses	6,586	79,537	20,560	20,560	20,560	6,859	17,861	20,107	192,690	34,303	6,859	233,852	
Depreciation	1,523	18,264	4,763	4,761	4,761	1,587	4,765	4,024	44,448	7,945	1,586	53,979	
Bad debt expense	-	-	-	-	-	-	-	-	-	1,070	-	1,070	
Total operating expenses	22,724	257,542	87,228	92,897	81,282	14,865	65,165	57,256	678,937	82,523	15,898	777,358	
TOTAL EXPENSES	\$ 66,842	\$ 702,515	\$ 182,396	\$ 193,685	\$ 259,015	\$ 56,996	\$ 132,116	\$ 145,052	\$ 1,738,618	\$ 139,844	\$ 69,389	\$ 1,947,851	

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

FLORIDA KEYS CHILDREN'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose of Organization

Florida Keys Children's Shelter, Inc. (the "Organization") was incorporated as a nonprofit organization on November 21, 1985, in the State of Florida. The Organization is a not-for-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The specific and primary purposes of the Organization is to operate for the advancement of the well-being of abused and runaway children and other charitable purposes, by the distribution of its funds for such purposes and particularly for the operation of a shelter for abused and runaway children.

Emergency Shelter – Tavernier

The Organization operates a nineteen-bed shelter for youths 10 to 17 years of age, on Plantation Key (Jelsema Center) for abused, abandoned and neglected youths who may be in the temporary custody of Wesley House Family Services (2 beds), non-delinquent youths who may be voluntary or court-ordered Families in Need of Services/Children in Need of Services (FINS/CINS, 6 beds), and HHS Basic Center Grant for homeless runaway youths (2 beds). The Organization provides 24-hour awake supervision, basic shelter care, case management, counseling, recreation, clothing, transportation and other items.

Runaway and Homeless Youth Street Outreach

This model program, funded through the US Department of Health and Human Services, Administration for Children, Youth and Families, Runaway and Homeless Youth Program, provides basic health and safety information to street youth, counseling, case management, opportunities for re-connecting or reunification with families, life skills development, preparation and entry into employment.

Families in Need of Services and Children in Need of Services

This program is designed primarily to provide to youth and families an array of services from voluntary or court-ordered intensive community-based individual and family counseling, case management, and group counseling services through temporary residential services (see Emergency Shelter above). An additional component of the community-based counseling program is the provision of anger management classes for youth.

Poinciana

The Organization operates two programs in Key West at Poinciana, a former Navy property now under the operation of the Key West Housing Authority.

Emergency Home - This seven-bed program, under contract with Wesley House Family Services, serves abused, abandoned and neglected children ages 0-10. The program provides 24-hour supervision provided by live-in house parents. Counseling is provided by a contract between Wesley House Family Services and the Care Center for Mental Health.

Residential Group Home - This seven-bed program, under contract with Wesley House Family Services, serves abused, abandoned and neglected youths 11-17 years of age who need long-term residential care. The program provides 24-hour supervision provided by live-in house parents. Counseling is provided by a contract between Wesley House Family Services and the Care Center for Mental Health.

FLORIDA KEYS CHILDREN'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Net assets that are free of donor imposed or time restrictions. This category includes all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Temporarily Restricted - Net assets where the use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations. There were no temporarily restricted net assets as of June 30, 2014.

Permanently Restricted - Net assets where the use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and money market accounts with maturities of three months or less unless they are included within investments.

Investments and Investment Income

Investments are comprised of equities and money markets. Investments are carried at fair value determined by quoted market values. Investment gains (including gains on investments, interest, and dividends) are included in the Statement of Activities. Investment gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized.

Long-Lived Assets

The Organization reviews its long-lived assets for possible impairment at least annually, and more frequently if circumstances warrant. Impairment is determined to exist when estimated amounts recoverable through future cash flows from operations on an undiscounted basis are less than the long-lived asset carrying values. If a long-lived asset is determined to be impaired, it is written down to its estimated fair value to the extent that the carrying amount exceeds the fair value of the long-lived asset. No write-downs for impairment of long-lived assets were recorded for the year ended June 30, 2014.

FLORIDA KEYS CHILDREN'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment are recorded at cost at the date of purchase or, if donated, at the estimated fair value at the date of the donation. The Organization's capitalization policy requires individual assets to be capitalized if the original cost or fair value at the date of donation exceeds \$500. Depreciation is charged to operations over the estimated service lives on a straight-line basis.

The estimated lives used in determining depreciation are:

Building and Improvements	5 – 39 years
Equipment	3 – 7 years
Office furniture and equipment	5 years
Transportation equipment	5 years

Prepaid Expenses

Prepaid expenses represent prepaid insurance.

Grants and Contract Revenues

The Organization receives substantially all of its grants and contract revenues from federal, state and local agencies. Revenues from federal, state and local agency grants and contracts are recorded based upon terms of the grant agreements which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred or the allowable services are provided to program participants.

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is based on management's review of the collectability of receivables. No allowance for doubtful accounts was considered necessary as of June 30, 2014.

Any funding source may, at its discretion, request return of funds as a result of non-compliance with the terms of the grants. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 restriction.

Contributed Facilities, Goods and Services

The Organization leases land from Monroe County on which the residential shelter was constructed and apartments from the Key West Housing Authority for two child/youth residential programs. Both of these leases are for \$1.00 per year. In addition, the Monroe County Organization Board provides office space for the Organization's counseling program. Donated facilities for the year ended June 30, 2014 totaled \$101,508 and is reflected under the caption "In-kind contributions" in the Statement of Activities.

FLORIDA KEYS CHILDREN'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Facilities, Goods and Services (Continued)

The Organization records only those contributed services which are a significant and integral part of the efforts of the Organization and would have to be provided by outside vendors or personnel had the services not been contributed. Additionally, those services must fall under the control of the Organization's management and have a clearly measurable basis of valuation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is a not-for-profit organization exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. As a result, the financial statements do not reflect a provision for income taxes.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction is the major tax jurisdiction where the Organization files income tax returns. The Organization is generally no longer subject to U.S. Federal examinations by tax authorities for the fiscal years before 2011.

Concentrations and Credit Risk

The Organization receives a significant portion of its revenue from Federal, state and local governmental agencies. If a significant reduction in the level of funding were to occur, it would have an adverse effect on the Organization's ability to continue operating the programs and services being provided. Management is not aware of any plans for significant reductions in the level of funding for the next fiscal year. The largest grantor accounted for 88% of grants and contracts receivable at June 30, 2014 and for 50% of total revenues for the year then ended.

Financial instruments which potentially subject the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents, investments, and grants receivable. Accounts in each institution are insured by the Federal Deposit Insurance Corporation in accordance with current regulations, which provides for insurance up to \$250,000. Cash equivalents are maintained at high-quality financial institutions. Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. Credit risk with respect to grants receivable is mitigated by the taxing authority of the Federal, state and local governmental agencies funding the programs.

Subsequent Events

The Organization has evaluated subsequent events through December 19, 2014, which is the date the financial statements were available to be issued.

FLORIDA KEYS CHILDREN'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncement

Services Received from Personnel of an Affiliate

In April 2013, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which requires not-for-profit entities to apply similar recognition and measurement bases for services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the recipient not-for-profit entity is not charged by the affiliate. The update requires that those services be measured at the cost recognized by the affiliate for the personnel providing those services unless such measurement would significantly overstate or understate the value of the service received, in which case the recipient not-for-profit entity may elect to recognize such services at the fair value of the service. The update is effective prospectively for fiscal years beginning after June 15, 2014, and interim periods thereafter, with early adoption permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

2. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at June 30, 2014:

Building and improvements	\$ 1,270,186
Equipment	67,385
Office furniture and equipment	201,049
Transportation equipment	153,409
	<hr/>
	1,692,029
Less accumulated depreciation	981,185
	<hr/>
	\$ 710,844

The Organization's depreciation expense for the year ended June 30, 2014 was \$53,979.

3. INVESTMENTS

Investments at fair value (Note 4) consist of the following at June 30, 2014:

Equities	\$ 90,240
Money market	2,133
	<hr/>
	\$ 92,373

The following summarizes the investment return for the year ended June 30, 2014:

Interest income	\$ 3,100
Net realized gains	4,874
Net unrealized gains, net of fees	13,026
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	\$ 21,000

FLORIDA KEYS CHILDREN'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4. FAIR VALUE MEASUREMENTS

The FASB established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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 as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
 If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The money market is an interest bearing cash equivalent. The equity funds are valued at the closing price reported in the active market in which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value on a recurring basis at June 30, 2014:

Description	Fair Value 6/30/2014	Recurring Fair Value Measurements at Reporting Date		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market	\$ 2,133	\$ 2,133	\$ -	\$ -
Equities	90,240	90,240	-	-
	\$ 92,373	\$ 92,373	\$ -	\$ -

5. COMMITMENTS AND CONTINGENCIES

Grant Funding

The Organization participates in Federal, state and local governmental agency grant assistance programs. Amounts received and expended under the various programs are subject to audits by governmental agencies and/or other agencies to determine if activities undertaken by the Organization comply with conditions of the grant. Management believes that no material liability will arise from any such audits.

FLORIDA KEYS CHILDREN'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

5. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases

On March 4, 1986, the Organization entered into an agreement to lease the parcel of land on which the residential shelter was constructed for a period of fifteen (15) years commencing on April 4, 1986 for the annual rental of one dollar. On March 3, 1987, the first addendum to the lease agreement extended the period of the lease to twenty-five years and provided for the option to renew the lease for five consecutive five year terms at the same annual rent.

In May 2000, the Organization entered into an agreement to lease apartments in which the Poinciana program is located for a period of fifty years for an annual rent of one dollar. The parties may extend the term of the lease as long as the extension is consistent with the master lease and the Key West City Charter and Ordinance.

Total in-kind expense related to these leases, along with other certain donated facilities (Note 1 - Contributed Facilities, Goods and Services), was approximately \$102,000 for the year ended June 30, 2014 and is included in the caption "Building occupancy" in the accompanying Statement of Functional Expenses.

The Organization leases additional office space under an operating lease expiring in 2015. Rent expense under this lease for the year ended June 30, 2014 was approximately \$14,000 and is included in the caption "Building occupancy" in the accompanying Statement of Functional Expenses.

The Organization also leases office equipment under a non-cancelable lease through July 2017. Rent expense under this operating lease during the year ended June 30, 2014 was approximately \$12,000 and is included in the caption "Equipment costs" in the accompanying Statement of Functional Expenses. Approximate future minimum lease payments under this operating lease are as follows:

Years ending June 30,	
2015	\$ 12,000
2016	12,000
2017	12,000
2018	1,000
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	\$ 37,000

Litigation

The Organization may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial statements or results of operations.

6. RETIREMENT PLAN

The Organization sponsors a Simple IRA Plan covering all employees who elect to participate. Under the plan, the Organization contributes the lesser of 3% of the participant's wages or the participant's contribution. The Organization's contribution for the year ended June 30, 2014 was approximately \$12,500.

7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2014 consist of investments in the amount of \$50,000 to be held indefinitely. The income from the investments is generally expendable to support programs of the Organization.

FLORIDA KEYS CHILDREN'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

8. ENDOWMENTS

The Organization's endowment consists of individual funds established for the general purposes of the Organization. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Florida has adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Organization has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policy of the Organization

For the year ended June 30, 2014, the Organization has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

Summary of endowment net assets at June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 50,000	\$ 50,000

Changes of endowment net assets at June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ -	\$ -	\$ 50,000	\$ 50,000
Investment gains	11,367	-	-	11,367
Amounts appropriated for expenditure	(11,367)	-	-	(11,367)
Donor-restricted endowment funds	\$ -	\$ -	\$ 50,000	\$ 50,000

Summary of Endowment Assets at June 30, 2014:

Investments	\$ 50,000
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Permanently Restricted Net Assets at June 30, 2014:

The portion of perpetual endowment funds that is required to be retained permanently	\$ 50,000
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FLORIDA KEYS CHILDREN'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

8. ENDOWMENTS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual temporarily and permanently donor restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2014.

Return Objectives and Risk Parameters

The Organization has adopted investment policies and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the original gift as required. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor specified periods. This would relate to endowments controlled by the Organization.

Strategies Employed for Achieving Objectives

To satisfy investment objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The amounts distributed for spending from the endowment funds in accordance with the donor agreements shall be used to enhance the well-being of abused and runaway children.



**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**

To the Board of Directors
Florida Keys Children's Shelter, 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 Florida Keys Children's Shelter, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2014.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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 from 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*.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Morrison, Brown, Argiz & Farra

Boca Raton, Florida
December 19, 2014

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SINGLE AUDIT REPORT AND SUPPLEMENTARY INFORMATION



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR A MAJOR STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Directors
Florida Keys Children's Shelter, Inc.

Report on Compliance for a Major State Project

We have audited the Florida Keys Children's Shelter, Inc. (the "Organization") compliance with the types of compliance requirements described in Chapter 10.650, Rules of the Auditor General of the State of Florida that could have a direct and material effect on the Organization's major state project for the year ended June 30, 2014. The Organization's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Chapter 10.650, Rules of the Auditor General of the State of Florida. Those standards and Chapter 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for a major state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended June 30, 2014.

To the Board of Directors
Florida Keys Children's Shelter, Inc.
Page Two

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Monison, Brown, Aguir & Fama

Boca Raton, Florida

December 19, 2014

FLORIDA KEYS CHILDREN'S SHELTER, INC.

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014**

State Agency, Pass through entity, State Project	CSFA Number	Grantor Contract Number	Expenditures
Department of Juvenile Justice Florida Network of Youth and Family Services Children and Families in Need of Services (CINS/FINS)	80.005	N/A	<u>\$ 649,595</u>
Total Department of Juvenile Justice			<u>649,595</u>
Department of Transportation Guidance Clinic of the Middle Keys, Inc. Commission for the Transportation Disadvantaged (CTD) Trip and Equipment Grant Program	55.001	N/A	<u>10,500</u>
Total Department of Transportation			<u>10,500</u>
Total Expenditures of State Financial Assistance			<u>\$ 660,095</u>

See accompanying notes to schedule of expenditures of state financial assistance.

FLORIDA KEYS CHILDREN'S SHELTER, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014**

1. GENERAL

The accompanying Schedule of Expenditures of State Financial Assistance presents the activity of state grants of the Florida Keys Children's Shelter, Inc. during the year ended June 30, 2014.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of State Financial Assistance is presented using the accrual basis of accounting.

3. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General of the State of Florida.

FLORIDA KEYS CHILDREN'S SHELTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

State Financial Assistance

Internal control over major state projects:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditor's report issued on compliance for major state projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650? _____ Yes X No

Identification of major state projects:

CSFA Number

Name of State Project

80.005

Florida Network of Youth and Family Services
Children and Families in Need of Services (CINS/FINS)

Dollar threshold used to distinguish between Type A and Type B projects:

\$ 198,029

Auditee qualified as low-risk auditee?

X Yes _____ No

FLORIDA KEYS CHILDREN'S SHELTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

None.

PRIOR YEAR FINDINGS

None.

SECTION III - STATE PROJECTS FINDINGS AND QUESTIONED COSTS

CURRENT YEAR FINDINGS

None.

PF PRIOR YEAR FINDINGS

None.

SECTION IV - OTHER ISSUES

A management letter is not required as there were no findings required to be reported in the management letter related to State Projects.