

FLORIDA KEYS CHILDREN'S SHELTER, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2010

FLORIDA KEYS CHILDREN'S SHELTER, INC.
FINANCIAL STATEMENTS
JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Cash Flows.....	5
Statement of Functional Expenses.....	6
Notes to Financial Statements.....	7
SUPPLEMENTARY FINANCIAL INFORMATION	
Report of Independent Certified Public Accountants on Supplemental Information.....	14
Schedule of Expenditures of State Financial Assistance.....	15
Report of Independent Certified Public Accountants 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.....	16
Report of Independent Certified Public Accountants on Compliance With Requirements Applicable to Each Major Project and on Internal Control Over Compliance in Accordance with the Chapter 10.650 Rules of the Auditor General.....	18
Schedule of Findings and Questioned Costs	20

MAGRAM & MAGRAM, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

GARY R. MAGRAM, C.P.A.
HOWARD J. MAGRAM, C.P.A.

MEMBERS: AMERICAN INSTITUTE OF C.P.A.'S
FLORIDA INSTITUTE OF C.P.A.'S

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of the Florida Keys Children's Shelter, Inc. as of June 30, 2010 and the related statement of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Florida Keys Children's Shelter, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 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, 2010, and the changes in its net assets and 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 a report dated October 16, 2010 on our consideration of the Florida Keys Children's Shelter, Inc.'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 the internal control 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 considered in assessing the results of our audit.

Magram & Magram, P.A.

MAGRAM & MAGRAM, P.A.

October 16, 2010

FLORIDA KEYS CHILDREN'S SHELTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	58,823
Grants and contracts receivable		245,681
Prepaid expenses		<u>24,410</u>

Total Current Assets \$ 328,914

Property and Equipment, net of
\$770,690 accumulated depreciation 803,297

Investments 140,139

Other Assets 7,477

TOTAL ASSETS \$ 1,279,827

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Line of credit	\$	50,000
Accounts payable		18,771
Accrued expenses		<u>180,381</u>

Total Current Liabilities \$ 249,152

Net Assets

Unrestricted		966,012
Temporarily restricted		14,663
Permanently restricted		<u>50,000</u>

Total Net Assets 1,030,675

TOTAL LIABILITIES AND NET ASSETS \$ 1,279,827

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, 2010

REVENUE & SUPPORT	
Federal awards	\$ 333,394
State financial assistance	698,442
Other grants and contracts	540,950
Special events	38,022
In-kind contributions	76,840
Contributions	194,377
Interest and dividends	4,328
Loss on sale of asset	(15,723)
Unrealized gain on investments	13,515
Net assets released from restrictions	<u>25,491</u>
 Total Revenue and Support	 <u>1,909,636</u>
EXPENSES	
Program Services	
Jelesma Emergency Shelter	94,085
Jelesma CINS/FINS Temporary Shelter	624,359
Poinciana Emergency Shelter	182,560
Poinciana Group Home	211,268
Community Based Counselors	247,624
Jelesma Counselors	58,963
Project Lighthouse	103,049
Jelesma Runaway & Homeless Shelter	<u>165,956</u>
 Total Program Services	 <u>1,687,864</u>
Support Services	
Management and general	84,482
Fund raising	<u>99,877</u>
 Total Support Services	 <u>184,359</u>
 Total Expenses	 <u>1,872,223</u>
 INCREASE IN UNRESTRICTED NET ASSETS	 37,413
TEMPORARILY RESTRICTED NET ASSETS	
Contributions	29,100
Net assets released from restrictions	<u>(25,491)</u>
 Increase in Temporarily Restricted Net Assets	 <u>3,609</u>
 INCREASE IN NET ASSETS	 41,022
NET ASSETS, beginning of year	<u>989,653</u>
NET ASSETS, end of year	<u>\$ 1,030,675</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, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in Net Assets	\$ 41,022
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	58,555
Change in unrealized gain on marketable securities	(13,515)
Loss on sale of asset	15,723
Changes in assets and liabilities:	
Increase in grants and contracts receivable	(74,157)
Decrease in prepaid expenses	15,213
Increase in accounts payable	3,066
Increase in accrued expenses	<u>9,712</u>
Net Cash Provided By Operating Activities	\$ 55,619
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(80,823)
Purchase of securities	(3,615)
Sale of asset	<u>800</u>
Net Cash (Used) By Investing Activities	<u>(83,638)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowings on line of credit	<u>50,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,981
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>36,842</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 58,823</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	<u>\$ 2,941</u>

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, 2010

	PROGRAM SERVICES								SUPPORT SERVICES			
	Jelesma Emergency Shelter	Jelesma CINS/FINS Temporary Shelter	Poinciana Emergency Shelter	Poinciana Group Home	School Based Counselors	Jelesma Counselors	Project Lighthouse	Jelesma Runway & Homeless Shelter	Total	Management and General	Fund Raising	Total
Salaries	\$ 49,066	\$ 350,130	\$ 83,687	\$ 93,092	\$ 140,178	\$ 36,298	\$ 64,205	\$ 102,266	\$ 918,922	\$ 26,335	\$ 50,412	\$ 995,669
Fringe Benefits	13,310	94,984	20,334	27,159	32,752	8,024	16,068	22,378	235,009	5,284	10,805	251,098
Total Personnel Expenses	62,376	445,114	104,021	120,251	172,930	44,322	80,273	124,644	1,153,931	31,619	61,217	1,246,767
Building Occupancy	3,621	25,840	15,875	21,779	-	890	155	5,699	73,859	4,450	890	79,199
Professional Services	1,424	10,160	3,456	3,456	3,456	1,727	1,727	2,239	27,645	6,048	865	34,558
Travel & Transportation	4,084	4,858	1,983	1,983	4,759	992	992	992	20,643	3,954	1,690	26,287
Equipment Costs	1,006	7,239	2,462	2,462	2,462	1,231	1,231	1,605	19,698	4,309	615	24,622
Food Services	2,798	19,970	9,154	12,592	319	-	204	4,402	49,439	788	839	51,066
Medical and Pharmacy	624	4,451	1,302	2,297	-	-	539	981	10,194	-	-	10,194
Insurance	1,971	14,067	4,254	4,254	4,254	2,127	1,064	3,101	35,092	5,314	2,127	42,533
Operating Supplies and Expenses	8,764	62,539	24,559	26,700	17,570	4,377	13,927	15,788	174,224	17,572	29,806	221,602
Depreciation	2,571	18,348	5,874	5,874	5,874	2,937	2,937	4,044	48,459	8,628	1,468	58,555
Donated Items	4,846	11,773	9,620	9,620	36,000	360	-	2,461	74,680	1,800	360	76,840
Total Operating Expenses	31,709	179,245	78,539	91,017	74,694	14,641	22,776	41,312	533,933	52,863	38,660	625,456
Total Personnel and Operating Expenses	94,085	624,359	182,560	211,268	247,624	58,963	103,049	165,956	1,687,864	84,482	99,877	1,872,223
Allocation of Management and General	10,729	26,063	9,052	9,052	9,052	3,017	9,052	5,448	81,465	(84,482)	3,017	-
Total	\$ 104,814	\$ 650,422	\$ 191,612	\$ 220,320	\$ 256,676	\$ 61,980	\$ 112,101	\$ 171,404	\$ 1,769,329	\$ -	\$ 102,894	\$ 1,872,223

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

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

Nature of the 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 specific and primary purposes of the Shelter 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.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

All contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Any contributions received that are designated for future periods or are restricted by the donor for a specific purpose are reported as temporarily restricted or permanently restricted support that increases those respective net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Basis of Accounting

The Organization prepares its financial statements in accordance with U.S. generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Estimates

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

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(CONTINUED)

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.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with a maturity of three months or less.

Property and Equipment

Property and equipment acquisitions in excess of \$500 are recorded, at cost except for donated assets which are recorded at their estimated fair value at the date of donation. The costs of renewals and betterments are capitalized when the life of the property is materially extended. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Investments

Investments are measured at fair value. Fair value is determined using the quoted closing or latest bid prices. Realized gains and losses are included in investment income and are calculated based on proceeds received less cost. The cost of securities sold is based on the specific-identification method. Net unrealized gains and losses are reported in the statement of activities and represent the change in the fair value of investment holdings during the year.

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 benefitted.

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(CONTINUED)

Emergency Shelter - Tavernier

The Florida Keys Children's Shelter, Inc. operates an 18-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 Shelter 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 Florida Keys Children's Shelter, Inc. 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 six-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 six-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, 2010
(CONTINUED)

Contributed Facilities

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 one dollar (\$1.00) per year. In addition, the Monroe County School Board provides office space for the Shelter's counseling program. The difference between the rent paid and the estimated fair rental is reported as support and expense in the period in which the premises are used.

Contributed Services

The Organization records only those contributed services which are a significant and integral part of the efforts of the Shelter 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 Shelter's Management and have a clearly measurable basis of valuation.

Donated Materials

The Organization receives donations of food, clothing, and furniture. These donations are not recorded since values cannot reasonably be determined and, in some cases, go directly to clients. Donations of items for fund raising events are also not recorded as a matter of policy.

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. Accordingly, no provision for federal or state income taxes has been included in the accompanying financial statements.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Management believes that all grants and contracts receivable are fully collectible as of June 30, 2010, and therefore, has not provided a related valuation allowance on these amounts.

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(CONTINUED)

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. An analysis of property and equipment at June 30, 2010 is as follows:

Building and improvements	\$ 1,228,418
Equipment	64,973
Office furniture and equipment	172,353
Transportation equipment	<u>108,243</u>
	1,573,987
Less accumulated depreciation	<u>770,690</u>
Net property and equipment	<u>\$ 803,297</u>

Depreciation expense was \$58,555 for the year and has been allocated among the various cost centers in the Statement of Functional Expenses.

NOTE 4 - INVESTMENTS RESTRICTED

Investments as of June 30, 2010 are carried at quoted market prices and consists of mutual funds with a cost of \$208,460 and a market value of \$140,139. Mutual funds with a value of \$50,000 have been permanently restricted as an endowment by the Board of Directors.

NOTE 5 - LINE OF CREDIT

The Organization has an unsecured demand line of credit with a bank with a maximum borrowing of \$100,000 and interest payable monthly at the bank's prime rate plus 1% (4.25% at June 30, 2010). At June 30, 2010, there was a \$50,000 outstanding principal balance owed. This loan is due on demand, unsecured and has no fixed maturity date.

NOTE 6 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2010 relate to funds contributed to the Organization restricted for education purposes.

Permanently restricted net assets at June 30, 2010 consist of investments to be held indefinitely, the income from which is generally expendable to support programs of the Organization.

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(CONTINUED)

NOTE 7 - 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 (1.00). On March 3, 1987, the first addendum to the lease agreement extended the period of the lease to twenty-five (25) years and provided for the option to renew the lease for five consecutive five year terms at the same annual rent.

On May 2, 2000 the Organization entered into an agreement to lease apartments in which the Poinciana program is located for a period of fifty (50) years for an annual rent of one dollar (\$1.00). 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.

The Organization leases office space under operating leases expiring in 2010. Rent expense under these leases for the year ended June 30, 2010 was \$68,590.

The Organization also leases office equipment under non-cancelable leases through May, 2014. Rent expense under these operating leases was \$21,620. Future minimum lease payments under these operating leases for the years ending June 30, are as follows:

Year Ending June 30,	
2011	\$17,144
2012	17,144
2013	17,144
2014	<u>6,448</u>
	<u>\$57,880</u>

NOTE 8 - 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, 2010 was \$14,211.

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(CONTINUED)

NOTE 9 - FUNDING/ECONOMIC DEPENDENCE

For the year ended June 30, 2010, approximately 82% of the Shelter's total revenues were derived from governmental and related entities. A significant reduction in the government funding, if this were to occur, may have an adverse effect on the Shelter's programs and activities.

NOTE 10 - CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, investments and grants receivable. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash. Credit risk with respect to governmental agency is mitigated by the taxing authority of the governmental entity funding the programs. The Organization's investments in mutual funds are subject to the usual risk of market fluctuations inherent in these types of investments.

NOTE 11 - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosures through October 16, 2010, the date the financial statements were available to be issued.

MAGRAM & MAGRAM, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

RY R. MAGRAM, C.P.A.
WARD J. MAGRAM, C.P.A.

MEMBERS: AMERICAN INSTITUTE OF C.P.A.'S
FLORIDA INSTITUTE OF C.P.A.'S

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTAL INFORMATION**

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

Our report on our audit of the basic financial statements of The Florida Keys Children's Shelter, Inc. for the year ended June 30, 2010 appears on page 1. Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Florida Keys Children's Shelter, Inc. taken as a whole. The supplemental information included herein on page 15 is presented for purposes of additional analysis as required by Chapter 10.650, the Rules of the Auditor General and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Magram & Magram, P.A.

MAGRAM & MAGRAM, P.A.
October 16, 2010

FLORIDA KEYS CHILDREN'S SHELTER, INC.
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2010

<u>State Agency, State Project</u>	<u>CSFA Number</u>	<u>Grantor Contract Number</u>	<u>Expenditures</u>
Indirect Projects			
Department of Juvenile Justice passed through Florida Network of Youth and Family Services CINS/FINS	80.005	N/A	\$ 656,536
Department of Children and Families passed through Southermost Homeless Challenge Grant	60.014	N/A	31,406
Department of Transportation passed through Guidance Clinic of the Middle Keys, Inc.	55.001	N/A	<u>10,500</u>
Total Indirect Projects			<u>698,442</u>
Total Expenditures of State Financial Assistance			<u>\$ 698,442</u>

The significant accounting policies for the schedule of state financial assistance are stated in Note 1 -Nature of the Organization and Summary of Significant Accounting Policies of the notes to the basic financial statements

See report of independent certified public accountants on supplemental information.

MAGRAM & MAGRAM, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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HOWARD J. MAGRAM, C.P.A.

MEMBERS: AMERICAN INSTITUTE OF C.P.A.'S
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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
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.
Tavernier, Florida

We have audited the financial statements of the Florida Keys Children's Shelter, Inc. (the "Organization") as of and for the year ended June 30, 2010 and have issued our report thereon dated October 16, 2010. 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 the Florida Keys Children's Shelter, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 Florida Keys Children's Shelter's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Florida Keys Children's Shelter's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatements, 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.

This report is intended solely for information and use of the board of directors, management and federal, state and local awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Magram & Magram, P.A.

MAGRAM & MAGRAM, P.A.
October 16, 2010

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROJECT AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE CHAPTER
10.650 RULES OF THE AUDITOR GENERAL**

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

Compliance

We have audited the compliance of the Florida Keys Children's Shelter, Inc. with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major state projects for the year ended June 30, 2010. The Florida Keys Children's Shelter, Inc.'s major state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state projects is the responsibility of the Florida Keys Children's Shelter, Inc.'s management. Our responsibility is to express an opinion on the Florida Keys Children's Shelter, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 10.650, Rules of the Auditor General. Those standards, and Chapter 10.650, Rules of Auditor General, 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 Florida Keys Children's Shelter, Inc.'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. Our audit does not provide a legal determination on the Florida Keys Children's Shelter, Inc.'s compliance with those requirements.

In our opinion, the Florida Keys Children's Shelter, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major state projects for the year ended June 30, 2010.

Internal Control Over Compliance

The Management of the Florida Keys Children's Shelter, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state projects. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Florida Keys Children's Shelter, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state project such that there is more than remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for information and use of the board of directors, management and federal, state and local awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Magaram & Magaram, P.A.

MAGRAM & MAGRAM, P.A.
October 16, 2010

THE FLORIDA KEYS CHILDREN'S SHELTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Reportable condition(s) identified not
considered to be material weakness(es)

___ 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

Reportable condition(s) identified not
considered to be material weakness(es)?

___ Yes X None Reported

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

Unqualified

See report of Independent Certified Public Accountants on Supplemental Information

THE FLORIDA KEYS CHILDREN'S SHELTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2010

State Financial Assistance Continued

Identification of state projects:

<u>Name of State Project</u>	<u>CSFA Number</u>
State of Florida Office of Attorney General Minority Communities Crime Prevention	80.005
Dollar threshold used to distinguish between Type A and Type B projects for major state financial assistance:	\$209,533

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings were reported

SECTION III - STATE FINANCIAL ASSISTANCE
FINDINGS AND QUESTIONED COSTS

No findings were reported

SECTION IV - STATE FINANCIAL ASSISTANCE
SUMMARY OF PRIOR AUDIT FINDINGS

No findings were reported

SECTION V - FINANCIAL ASSISTANCE -
MANAGEMENT LETTER

No management letter was issued

See report of Independent Certified Public Accountants on Supplemental Information