

CHARLEE OF DADE COUNTY, INC.

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2011

**(WITH COMPARATIVE TOTALS FOR THE
YEAR ENDED JUNE 30, 2010)**

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-14
SUPPLEMENTARY INFORMATION	
Schedule of State Financial Assistance.....	15
Schedule of Expenditures of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.....	17
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>	18-19
Independent Auditors' Report on Compliance With Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance With OMB Circular A-133 AND Chapter 10.650, <i>Rules of the Auditor General</i>	20-21
Schedule of Findings and Questioned Costs.....	22-23

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CHARLEE of Dade County, Inc.
Miami, Florida

We have audited the accompanying statement of financial position of CHARLEE of Dade County, Inc. (the "Organization"), a nonprofit organization, as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2010 financial statements, and in our report dated November 2, 2010, 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 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 Organization as of June 30, 2011, and the changes in its net assets 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 October 7, 2011, 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 our 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* and Chapter 10.650 Rules of the Auditor General of the State of Florida 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.

A handwritten signature in blue ink that reads "Verelija & DeCruas". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 7, 2011

CHARLEE OF DADE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2010)

ASSETS	<u>2011</u>	<u>2010 Comparative Totals</u>
CURRENT ASSETS		
Cash and equivalents, including temporarily restricted cash of \$258,102 and \$269,745, respectively	\$ 903,170	\$ 1,005,438
Grants and other receivables	1,219,326	1,010,011
Pledges receivables, net	155,614	175,908
Investments	1,123,655	1,002,477
Prepaid expenses and other current assets	14,179	59,089
TOTAL CURRENT ASSETS	<u>3,415,944</u>	<u>3,252,923</u>
 PLEDGES RECEIVABLE, long-term	 210,616	 147,080
 OTHER ASSETS	 61,831	 85,309
 PROPERTY AND EQUIPMENT, net	 <u>1,803,406</u>	 <u>2,613,837</u>
TOTAL ASSETS	<u><u>\$ 5,491,797</u></u>	<u><u>\$ 6,099,149</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,471,636	\$ 1,320,025
Deferred revenue	-	46,472
Capital lease payable, current portion	26,435	24,948
Notes payable - current portion	-	93,716
TOTAL CURRENT LIABILITIES	<u>1,498,071</u>	<u>1,485,161</u>
 CAPITAL LEASE PAYABLE, long-term portion	 20,640	 54,460
NOTES PAYABLE - long term portion	<u>-</u>	<u>485,623</u>
TOTAL LIABILITIES	<u>1,518,711</u>	<u>2,025,244</u>
 NET ASSETS		
Unrestricted	3,714,984	3,804,160
Temporarily restricted	258,102	269,745
TOTAL NET ASSETS	<u>3,973,086</u>	<u>4,073,905</u>
 COMMITMENTS AND CONTINGENCIES		
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,491,797</u></u>	<u><u>\$ 6,099,149</u></u>

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

CHARLEE OF DADE COUNTY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	Unrestricted	Temporarily Restricted	2011 Total	2010 Comparative Totals
SUPPORT				
Special events	\$ 510,347	\$ -	\$ 510,347	\$ 247,520
Contributions	234,742	-	234,742	328,358
Donated goods and services	139,890	-	139,890	288,951
Release of restrictions	11,643	(11,643)	-	-
TOTAL SUPPORT	<u>896,622</u>	<u>(11,643)</u>	<u>884,979</u>	<u>864,829</u>
REVENUE				
Our Kids, Inc. contracts	11,706,095	-	11,706,095	11,666,934
Other grants	615,049	-	615,049	755,692
Medicaid	1,250,892	-	1,250,892	1,029,215
Investment income and other income	144,982	-	144,982	129,966
TOTAL REVENUE	<u>13,717,018</u>	<u>-</u>	<u>13,717,018</u>	<u>13,581,807</u>
TOTAL SUPPORT AND REVENUE	14,613,640	(11,643)	14,601,997	14,446,636
EXPENSES				
Program Services	13,323,858	-	13,323,858	13,200,907
Supporting Activities	1,255,993	-	1,255,993	1,108,417
TOTAL EXPENSES	<u>14,579,851</u>	<u>-</u>	<u>14,579,851</u>	<u>14,309,324</u>
CHANGE IN NET ASSETS,				
before loss on sale of assets	33,789	(11,643)	22,146	137,312
Loss on sale of assets	<u>(122,965)</u>	<u>-</u>	<u>(122,965)</u>	<u>-</u>
CHANGE IN NET ASSETS	(89,176)	(11,643)	(100,819)	137,312
NET ASSETS - Beginning of year	3,804,160	269,745	4,073,905	3,936,593
NET ASSETS - End of year	<u>\$ 3,714,984</u>	<u>\$ 258,102</u>	<u>\$ 3,973,086</u>	<u>\$ 4,073,905</u>

The accompanying notes are an integral part of this financial statement.

CHARLEE OF DADE COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	Group Homes	Full Case Management	Clinical Program	Medical Program	Education Program	NC Camp	Total Program Services	Fundraising	Administration	Total Supporting Services	2011 Total	2010 Comparative Totals
PERSONNEL COSTS												
Salaries	\$ 9,770	\$ 3,785,093	\$ 1,204,456	\$ 257,624	\$ 60,146	\$ 74,028	\$ 5,391,117	\$ 116,605	\$ 885,526	\$ 1,002,131	\$ 6,393,248	\$ 6,191,840
Payroll taxes and benefits	(1,523)	926,418	279,866	64,535	14,850	8,917	1,293,063	25,085	212,330	237,415	1,530,478	1,500,013
TOTAL PERSONNEL COSTS	8,247	4,711,511	1,484,322	322,159	74,996	82,945	6,684,180	141,690	1,097,856	1,239,546	7,923,726	7,691,853
OTHER EXPENSES												
Occupancy	15,758	280,085	92,266	23,121	4,545	1,413	417,188	10,681	79,131	89,812	507,000	498,804
Foster parent payments	-	3,717,477	-	-	-	-	3,717,477	-	-	-	3,717,477	3,605,737
Professional fees	43	33,214	92,812	1,761	320	278	128,428	12,624	21,928	34,552	162,980	145,485
Client activities and supplies	1,663	444,601	14,645	9,534	148,096	48,514	667,053	-	-	-	667,053	798,004
Insurance	35,695	76,355	16,552	6,076	810	6,605	142,093	1,387	10,189	11,576	153,669	156,893
Interest and fees	24,029	-	-	-	-	-	24,029	-	298	298	24,327	44,950
Recruitment and training	-	24,006	4,659	236	20	2,706	31,627	13,235	6,737	19,972	51,599	59,738
Travel and conference	156	258,093	67,030	16,255	5	7,880	349,419	4,108	21,880	25,988	375,407	314,298
Telephone	893	68,418	34,979	6,447	1,699	1,261	113,697	3,142	11,072	14,214	127,911	141,206
Marketing	-	-	-	-	-	-	-	4,830	-	4,830	4,830	17,054
Office expense	2,224	26,353	10,060	3,230	336	8,749	50,952	6,599	29,838	36,437	87,389	68,930
Printing	-	29,343	9,898	3,256	470	157	43,124	1,698	3,492	5,190	48,314	64,621
Technology	-	-	-	-	-	444	444	5,502	61,030	66,532	66,976	128,662
Postage	-	5,825	1,653	431	81	400	8,390	846	1,422	2,268	10,658	15,938
Repairs and maintenance	21,838	12,016	-	2,338	-	2,664	38,856	11	1,294	1,305	40,161	35,617
Dues and subscriptions	-	198	-	166	-	-	364	1,490	7,895	9,385	9,749	19,026
Events	-	5,816	-	-	-	-	5,816	220,414	22,405	242,819	248,635	19,208
Bad debt expense	-	-	-	-	-	-	-	13,699	-	13,699	13,699	16,000
Miscellaneous	40	1,053	826	-	-	-	1,919	9,301	-	9,301	11,220	20,062
Total expenses before depreciation, amortization and other expenses	110,586	9,694,364	1,829,702	395,010	231,378	164,016	12,425,056	451,257	1,376,467	1,827,724	14,252,780	13,862,086
Depreciation and amortization	64,580	57,307	-	4,068	-	9,748	135,703	7,167	44,311	51,478	187,181	177,481
Donated goods	-	130,590	-	-	-	-	130,590	9,300	-	9,300	139,890	269,757
Distributed indirect costs-Administration	1,462	430,558	153,777	35,034	6,370	5,308	632,509	-	(632,509)	(632,509)	-	-
TOTAL EXPENSES	\$ 176,628	\$ 10,312,819	\$ 1,983,479	\$ 434,112	\$ 237,748	\$ 179,072	\$ 13,323,858	\$ 467,724	\$ 788,269	\$ 1,255,993	\$ 14,579,851	\$ 14,309,324

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

CHARLEE OF DADE COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	<u>2011</u>	<u>2010 Comparative Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (100,819)	\$ 137,312
Adjustments to reconcile changes in net assets provided by (used in) operating activities:		
Depreciation and amortization	187,181	177,481
Unrealized/realized gain on investments	(99,710)	(105,647)
Discount on pledges	-	3,364
Bad debt expense	13,699	16,000
Loss on sale of assets	122,965	-
Changes in operating assets and liabilities:		
Increase in grants and other receivables	(209,315)	(668,524)
Increase in pledges receivable	(56,941)	(164,617)
Decrease in prepaid expenses and other assets	44,926	1,945
Increase (decrease) increase in accounts payable and accrued expenses	151,611	(28,430)
Decrease in deferred revenue	(46,472)	(50,000)
Total adjustments	<u>107,944</u>	<u>(818,428)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>7,125</u>	<u>(681,116)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds (purchases) of investments	(21,468)	290,898
Acquisition of property and equipment	(8,739)	(62,657)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(30,207)</u>	<u>228,241</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings and capital leases	(79,186)	(86,278)
NET CASH USED IN FINANCING ACTIVITIES	<u>(79,186)</u>	<u>(86,278)</u>
 NET DECREASE IN CASH AND EQUIVALENTS	<u>(102,268)</u>	<u>(539,153)</u>
 CASH AND CASH EQUIVALENTS - Beginning of year	<u>1,005,438</u>	<u>1,544,591</u>
 CASH AND CASH EQUIVALENTS - End of year	<u>\$ 903,170</u>	<u>\$ 1,005,438</u>
 SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid during the year	\$ 24,328	\$ 44,950
 NON CASH INVESTING AND FINANCING ACTIVITIES		
Satisfaction of note payable through sale of homes:		
Proceeds from sales	\$ 545,000	\$ -
Other costs, net	\$ (2,132)	\$ -
Satisfaction of note payable	\$ (542,868)	\$ -

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

CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CHARLEE (Children **H**ave **A**ll **R**ights: **L**egal, **E**ducational and **E**motional) is a private not-for-profit agency operating since 1983 in Miami-Dade County caring for children ages 0-23 years old who have been placed in foster care, due to abuse, abandonment and/or neglect or are at-risk of being placed in foster care. CHARLEE provides full case management services and has developed a wide range of programs with additional support units; a supportive foster care network, and a therapeutic summer camp experience. Our support programs include; court services, an adoption unit, an educational services program, a health care management unit, mental health and substance abuse services, mental health targeted case management, an independent living program for 18+ young adults, and a pre-independent living life skills program.

Our Vision

Restoring a hopeful and safe future.

Our Mission

To provide exceptional services to abused, abandoned, and neglected children.

Our Goal

To empower each child and family to succeed.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). In September 2009, the Financial Accounting Standards Board (“FASB”) implemented the Accounting Standards Codification (“ASC”) which establishes FASB ASC as the source of authoritative U.S. accounting and reporting standards for nongovernmental entities. Presented below is a summary of significant accounting principles followed in the preparation of the accompanying financial statements.

These financial statements are presented in accordance with FASB ASC. Under this interpretation, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets – include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transactions (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted class.

Temporarily Restricted Net Assets – include those net assets whose use by the Organization has been limited by donors to either later periods of time or after specified dates or specified purposes. At June 30, 2011, there were \$258,102 temporarily restricted net assets.

Permanently Restricted Net Assets – are those net assets that must be maintained by the Organization in perpetuity. Permanently restricted net assets increase when the Organization receives contributions for which donor-imposed restrictions limiting the Organization’s use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Organization meeting certain requirements. At June 30, 2011, there were no permanently restricted net assets.

CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers demand deposits, money market accounts, investments acquired with original maturities of three months or less and overnight investments in repurchase agreements as cash and cash equivalents. Repurchase agreements are collateralized by U.S. Government and U.S. Agency obligations. The Organization has not experienced any losses in such accounts.

Investments

The Organization accounts for its investments under FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under this interpretation, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities.

Grants and Other Receivables

Grants and other receivables consist primarily of amounts due from grantors under the Organization's grant agreements. Grants receivable are stated at estimated net realizable value. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. The allowance for doubtful accounts was approximately \$29,000 for the year ended June 30, 2011.

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Residential property and improvements	5 – 30 years
Furniture and equipment	5 – 10 years
Automotive equipment	5 years

CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Donated property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time.

Maintenance and repairs that do not improve or extend the useful lives of the respective assets are charged to expense when incurred. The cost or donated value of assets retired or otherwise disposed of, and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

Grant Revenue and Revenue Concentration

Grant and contract revenue is recognized when the allowable costs as defined by the individual grants or contracts are incurred. The Organization receives approximately 80% of their revenues from contracts provided by the Our Kids of Miami-Dade/Monroe, Inc.

Donated Goods and Services

The Organization, during the year received donated services. A number of volunteers have donated their time in certain of the Organization's program service areas, fundraising activities and efforts to solicit charitable contributions. Because of the difficulty in determining the number of hours of such services, those items are not disclosed in the accompanying financial statements. However, when the value of donated services requires specific expertise, they are reflected in the financial statements as a revenue and expense. The Organization received donated goods and services valued at \$139,890.

Provision for Amortization

The Organization provides for amortization on a straight-line basis over the following lives:

Mortgage loan costs	15 years
---------------------	----------

Functional Expenses

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

CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization has evaluated subsequent events through October 7, 2011, which is the date the financial statements were available to be issued.

Income Taxes

The Organization is exempt from income tax under Section 501(c) (3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b) (1) (A) and has been classified as an organization other than a private foundation under Section 509 (a) (2).

The Organization adopted the provisions of an accounting standard, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with existing accounting guidance on income taxes, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interest and penalties on tax liabilities, if any, would be recorded as an expense in the statement of activities. No liability for unrecognized tax benefits was recorded as a result of implementing this standard.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization places its cash with high credit, quality financial institutions. At times, such balances may temporarily be in excess of the insurance limits of the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts. At June 30, 2011, the cash balance did not exceed the federally insured amount of \$250,000. In addition, investment balances held at year-end are not federally insured.

NOTE 3 – INVESTMENTS

The Organization's investments as of June 30, 2011 are comprised of the following:

Money market funds	\$ 49,557
Mutual funds	800,210
Equities	273,888
	<u>\$ 1,123,655</u>

Interest, dividends, realized and unrealized gains and losses earned in the investment accounts are considered unrestricted. The Organization recorded unrealized/realized gains for investments of \$99,710 for the year ended June 30, 2011. In addition, the Organization recorded interest and dividends of \$25,059 for the year-ended June 30, 2011.

CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2011 consisted of the following:

Residential property and improvements	\$ 1,685,879
Furniture and equipment	214,596
Computer software	190,131
Automotive equipment	229,664
	<u>2,320,270</u>
Less accumulated depreciation	<u>(1,177,443)</u>
	1,142,827
Land	660,579
	<u>\$ 1,803,406</u>

Depreciation expense for the year ended June 30, 2011 was \$163,719. Amortization expense for the year ended June 30, 2011 was \$23,462.

NOTE 5 – GRANTS AND CONTRACTS FOR CLIENT SERVICES

Funding agreements for services to be provided are entered into an annual basis. The release of funds is subject to monies being made available by Federal government, the Florida Legislature and certain other grant agencies. Generally, agreements may be terminated by either party with thirty days written notice.

Program expenditures made by the Organization are subject to additional audit by contracting agencies. As a result of such audits, the contractor may require that amounts be returned.

NOTE 6 – EMPLOYEE BENEFIT PLAN

The Organization implemented a 403(B) defined contribution plan in April 2005. Under this plan, the Organization will match up to 50% of what the employee contributes capped at 2% of the employee's annual salary after a year of service. All employees are eligible to participate in this plan; however, the Organization only contributes after the employee's first year of service. The employee becomes fully vested after completing their third year of service. Total payments for the year ended June 30, 2011 were \$34,670.

NOTE 7 – LINE OF CREDIT / NOTE PAYABLE

At June 30, 2011, The Organization has a \$900,000 line of credit available, of which \$0 was outstanding at year-end. This line of credit is collateralized by land and bears interest at a variable rate equal to the bank's prime rate. The line of credit matures on November 2011. During 2011, two group homes were sold and the corresponding note payable was paid.

CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8 – PLEDGES RECEIVABLE

Unconditional promises to give are expected to be realized in the following periods as of June 30, 2011:

Within one year	\$ 155,614
In one to five years	<u>246,965</u>
	402,579
Less:	
Allowance for uncollectable	(29,749)
Discounts for time value of money	<u>(6,600)</u>
	<u>\$ 366,230</u>

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, which are held in cash, are available from the following sources at June 30, 2011:

Miami-Dade County	\$ 14,806
Miami Foundation	15,000
The Dave Thomas Foundation	66,328
Batchelor Foundation	17,672
Hector Foundation	40,444
Rob Hector Memorial Fund	21,858
Other	<u>81,994</u>
	<u>\$ 258,102</u>

NOTE 10 – LEASE COMMITMENTS

The Organization's building lease expired February 2011 and incurred expenses on a month to month basis from February 2011 through June 2011. The Organization is currently in the negotiations with landlord for an extension on the rental agreement. Rent expense for the year ended June 30, 2011 was approximately \$471,000.

NOTE 11 – ENDOWMENT

The Organization previously entered into an agreement with the Miami Foundation, Inc., a Florida nonprofit corporation, to create a designated fund to serve as a permanent endowment on behalf of the Organization. Distributions from the endowment fund will only be made with the approval and authorization of the Board of Governors of the Miami Foundation, Inc. and the funds are the property of the Miami Foundation, Inc. Accordingly, they are not carried as an asset of the Organization. The ending value at June 30, 2011 is \$15,579.

CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12– FAIR VALUE MEASUREMENTS

The fair values of the Organization’s assets measured on a recurring basis at June 30, 2011 are as follows:

Fair Value Measurements Using:

Assets	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Money market funds	\$ 49,557	\$ 49,557	\$ -	\$ -
Mutual funds	800,210	800,210	-	-
Equities	273,888	273,888	-	-
	\$ 1,123,655	\$ 1,123,655	\$ -	\$ -

The Organization classified its investments as of June 30, 2011, based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

The three-level valuation hierarchy is established for the measurement and disclosure of fair value. The valuation hierarchy is based upon the transparency of inputs used to measure fair value. The three levels are as follows:

Level 1 – asset value is based on actual quoted prices in active markets for identical securities (mark-to-market).

Level 2 – other significant observable inputs are used to arrive at fair value (including yield, quality, coupon rate, maturity, issue type, quoted prices for similar securities, prepayment speeds, trading characteristics, etc.).

Level 3 – significant unobservable inputs (including management’s own assumptions in determining the fair value of investments).

CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 13 – CAPITAL LEASE PAYABLE

The Organization entered into a lease in June 2010 for computer equipment. This lease is a capital lease with a bargain purchase option at the end of the lease term. Under this lease, the Organization pays \$2,409 per month. The aggregate lease payments were discounted at the inception of the lease and the net present value was recorded as a liability. The fair value of the related equipment was recorded as an asset and is being amortized over the life of the equipment. The leased equipment has the following book value at June 30, 2011:

Computer equipment	\$ 79,408
Less: Accumulated depreciation	<u>(23,823)</u>
	<u><u>\$ 55,585</u></u>

The following is a schedule of future minimum payments required under the lease as of June 30, 2011:

Year Ending June 30,	
<u>2012</u>	\$ 28,908
2013	<u>28,908</u>
	57,816
Less amounts representing interest	<u>(10,741)</u>
Capital lease obligations	47,075
Less current portion	<u>(26,435)</u>
Long-term portion	<u><u>\$ 20,640</u></u>

NOTE 14– RISK AND UNCERTAINTY

Securities and investments are exposed to interest, market and credit risk. These securities and investments may change in value and as such can affect the carrying/fair value of the investments.

SUPPLEMENTARY INFORMATION

**CHARLEE OF DADE COUNTY, INC.
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2011**

<i>State Grantor/ Pass-through Grantor/ Program Title</i>	<i>State CSFA Number</i>	<i>Contract Number</i>	<i>Expenditure</i>
STATE AGENCY NAME:			
United States Department of Health and Human Services - Passed through Our Kids of Miami-Dade/Monroe, Inc.			
Community Based Care Supports	60.094	N/A	\$ 4,474,270
			<u>\$ 4,474,270</u>

See accompanying note to the schedule of expenditures
of federal awards and state financial assistance.

**CHARLEE OF DADE COUNTY, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011**

<i>Federal Grantor/ Pass-through Grantor/ Program Title</i>	<i>Federal CFDA Number</i>	<i>Contract Number</i>	<i>Expenditure</i>
FEDERAL AGENCY NAME:			
United States Department of Health and Human Services - Passed through Our Kids of Miami-Dade/Monroe, Inc.			
Temporary Assistance for Needy Families	93.558	N/A	\$ 891,660
Chafee Education and Training Vouchers Program	93.599	N/A	(3,571)
Promoting Safe and Stable Families	93.556	N/A	191,684
Child Welfare Services - State Grants	93.645	N/A	153,512
Foster Care Title IV-E	93.658	N/A	3,303,269
Adoption Assistance	93.659	N/A	356,588
Social Services Block Grant	93.667	N/A	1,144,615
Administration for Children, Youth and Families-Child	93.669	N/A	151
Independent Living	93.674	N/A	395,632
			<u>\$ 6,433,540</u>

See accompanying note to the schedule of expenditures
of federal awards and state financial assistance.

CHARLEE OF DADE COUNTY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

JUNE 30, 2011

General

The accompanying Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance (the "Schedules") present the activity of all federal and state award programs of the Organization for the year ended June 30, 2011 on the accrual basis of accounting. All federal and state awards received directly from federal and state agencies, as well as federal and state awards received from other government agencies are included in the Schedules. The information in these schedules is in accordance with U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and with State of Florida Rules of the Auditor General Chapter 10.650, *State Single Audits Non-Profit and For-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

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 of
CHARLEE of Dade County, Inc.
Miami, Florida

We have audited the financial statements of CHARLEE of Dade County, Inc. (the “Organization”), as of and for the year ended June 30, 2011, and have issued our report thereon dated October 7, 2011. 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 Organization’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 Organization’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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 the 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 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*.

This report is intended solely for the information and use of management, Board of Directors of the Organization, others within the entity, federal and state awarding agencies, and other pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Verelija & DeArmas". The signature is written in a cursive style with a large initial 'V' and a long horizontal stroke at the end.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 7, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM
AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

To the Board of Directors of
CHARLEE of Dade County, Inc.
Miami, Florida

Compliance

We have audited CHARLEE of Dade County, Inc.'s (the "Organization"), a nonprofit organization, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of The Organization's major federal programs and state projects for the year ended June 30, 2011. The Organization's major federal programs and state projects are identified in the summary of auditors' 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 federal programs and state projects is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the 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 federal program or 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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650 Rules of the Auditor General, 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 federal program or 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 federal program or state project will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, 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 the information and use of the Board of Directors of the Organization, audit committee, management, federal and state awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 7, 2011

**CHARLEE OF DADE COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Instances of noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards and State Projects

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

Unqualified

Internal control over major federal programs and state projects:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X No

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 or Chapter 10.650, *Rules of the Auditor General*?

_____ Yes X No

Identification of major federal programs and state projects:

<u>Major Federal Program/State Project</u>	<u>CFDA/CSFA Number</u>	<u>Expenditures</u>
Child Welfare Services-State Grants	93.645	\$ 153,512
Chafee Education and Training Vouchers Program	93.599	\$ (3,571)
Adoption Assistance	93.659	\$ 356,588
Foster Care Title IV-E	93.658	\$ 3,303,269
Temporary Assistance for Needy Families	93.558	\$ 891,660
Social Services Block Grant	93.667	\$ 1,144,615
Administration for Children, Youth and Families- Child	93.669	\$ 151
Promoting State and Stable Families	93.556	\$ 191,684
Independent Living	93.674	\$ 395,632
Community Based Care Supports	60.094	\$ 4,474,270

Dollar threshold used to distinguish between type A and type B federal programs and state projects:

\$ 300,000

**CHARLEE OF DADE COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Auditee qualified as low-risk auditee pursuant to OMB
Circular A-133?

Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

The audit disclosed no matters that are reportable for the current year.

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS
AND STATE PROJECTS**

The audit disclosed no matters that are reportable for the current year.

SECTION IV – OTHER ISSUES

1. No management letter was issued and reported to management.
2. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal awards programs or state financial assistance projects.
3. No Corrective Action Plan is required because there were no findings required to be reported under the Federal OMB Circular A-133 Compliance Supplement or the Department of Financial Services' State Project Compliance Supplement.