

**FLORIDA KEYS CHILDREN'S SHELTER, INC.**

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2012

**FLORIDA KEYS CHILDREN'S SHELTER, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**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, 2012 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Florida Keys Children's Shelter, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 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, 2012, 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 22, 2012 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.

*Magrann & Magram, P.A.*

MAGRAN & MAGRAM, P.A.

October 22, 2012

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FLORIDA KEYS CHILDREN'S SHELTER, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	40,882
Grants and contracts receivable		171,276
Prepaid expenses		<u>26,102</u>

Total Current Assets \$ 238,260

Property and Equipment, net of  
\$872,996 accumulated depreciation 753,917

Investments 151,601

Other Assets 7,330

TOTAL ASSETS \$ 1,151,108

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Line of credit	\$	40,000
Accounts payable		17,226
Accrued expenses		<u>199,950</u>

Total Current Liabilities \$ 257,176

Net Assets

Unrestricted		831,852
Temporarily restricted		12,080
Permanently restricted		<u>50,000</u>

Total Net Assets 893,932

TOTAL LIABILITIES AND NET ASSETS \$ 1,151,108

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, 2012

REVENUE & SUPPORT	
Federal awards	\$ 280,263
State financial assistance	667,118
Other grants and contracts	589,648
Special events	34,611
In-kind contributions	101,508
Contributions	230,682
Interest and dividends	6,437
Loss on sale of investments	(3,400)
Unrealized loss on investments	(3,220)
Net assets released from restrictions	<u>11,772</u>
 Total Revenue and Support	 <u>1,915,419</u>
EXPENSES	
Program Services	
Jelesma Emergency Shelter	55,307
Jelesma CINS/FINS Temporary Shelter	675,565
Poinciana Emergency Shelter	203,135
Poinciana Group Home	183,812
Community Based Counselors	270,609
Jelesma Counselors	68,385
Project Lighthouse	141,320
Jelesma Runaway & Homeless Shelter	<u>142,198</u>
 Total Program Services	 <u>1,740,331</u>
Support Services	
Management and general	102,279
Fund raising	<u>75,244</u>
 Total Support Services	 <u>177,523</u>
 Total Expenses	 <u>1,917,854</u>
DECREASE IN UNRESTRICTED NET ASSETS	(2,435)
TEMPORARILY RESTRICTED NET ASSETS	
Contributions	11,000
Net assets released from restrictions	<u>(11,772)</u>
 Decrease in Temporarily Restricted Net Assets	 <u>(772)</u>
DECREASE IN NET ASSETS	(3,207)
NET ASSETS, beginning of year	<u>897,139</u>
NET ASSETS, end of year	<u>\$ 893,932</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, 2012

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Decrease in Net Assets	\$	(3,207)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation		51,556
Change in unrealized loss on marketable securities		3,220
Realized loss on securities		3,400
Changes in assets and liabilities:		
Increase in grants and contracts receivable		(5,697)
Decrease in prepaid expenses		2,829
Decrease in accounts payable		(36,429)
Decrease in accrued expenses		<u>(14,010)</u>
Net Cash Provided By Operating Activities	\$	1,662
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment		(14,832)
Purchase of securities		(160,376)
Sale of securities		<u>153,862</u>
Net Cash Used By Investing Activities		(21,346)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings on line of credit		<u>40,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		20,316
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		<u>20,566</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$	<u><u>40,882</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest		<u><u>2,201</u></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, 2012

	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	Jelesma Runway & Homeless Shelter	Total	Management and General	Fund Raising	Total
Salaries	\$ 32,544	\$ 394,382	\$ 87,613	\$ 85,752	\$ 154,995	\$ 43,776	\$ 59,921	\$ 79,315	\$ 938,298	\$ 25,547	\$ 50,275	\$ 1,014,120
Fringe Benefits	3,880	54,917	33,591	11,586	41,428	11,111	14,693	14,178	185,384	4,587	11,406	201,377
Total Personnel Expenses	36,424	449,299	121,204	97,338	196,423	54,887	74,614	93,493	1,123,682	30,134	61,681	1,215,497
Building Occupancy	6,351	76,587	40,024	40,024	48,028	3,431	38,496	14,750	267,691	27,157	3,431	298,279
Professional Services	490	5,877	1,048	1,048	1,049	349	1,049	1,295	12,205	1,749	349	14,303
Travel & Transportation	709	8,496	1,516	1,516	505	1,516	1,048	1,872	17,178	1,982	1,516	20,676
Equipment Costs	720	8,630	1,658	1,658	1,658	553	1,658	1,904	18,439	2,765	553	21,757
Food Services	2,104	24,725	12,601	17,144	-	-	256	5,534	62,364	250	65	62,679
Medical and Pharmacy	685	8,199	2,138	2,138	-	-	3,253	692	17,105	-	-	17,105
Insurance	1,522	18,227	3,253	3,253	3,253	1,084	3,253	4,017	37,862	5,419	1,084	44,365
Operating Supplies and Expenses	4,846	58,079	15,144	15,144	15,144	5,048	13,144	14,797	141,346	25,243	5,048	171,637
Depreciation	1,456	17,446	4,549	4,549	4,549	1,517	4,549	3,844	42,459	7,580	1,517	51,556
Total Operating Expenses	18,883	226,266	81,931	86,474	74,186	13,498	66,706	48,705	616,649	72,145	13,563	702,357
Total Personnel and Operating Expenses	55,307	675,565	203,135	183,812	270,609	68,385	141,320	142,198	1,740,331	102,279	75,244	1,917,854
Allocation of Management and General	3,386	40,577	10,581	10,581	10,581	3,527	10,580	8,940	98,753	(102,279)	3,526	-
Total	\$ 58,693	\$ 716,142	\$ 213,716	\$ 194,393	\$ 281,190	\$ 71,912	\$ 151,900	\$ 151,138	\$ 1,839,084	\$ -	\$ 78,770	\$ 1,917,854

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



FLORIDA KEYS CHILDREN'S SHELTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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, 2012  
(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, 2012  
(CONTINUED)

Emergency Shelter - Tavernier

The Florida Keys Children's Shelter, Inc. operates an 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 Shelter provides 24-hour awake supervision, basic shelter care, case management, counseling, recreation, clothing, transportation and other items.

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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 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, 2012  
(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, 2012, and therefore, has not provided a related valuation allowance on these amounts.

FLORIDA KEYS CHILDREN'S SHELTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(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, 2012 is as follows:

Building and improvements	\$ 1,250,236
Equipment	67,385
Office furniture and equipment	201,049
Transportation equipment	<u>108,243</u>
	1,626,913
Less accumulated depreciation	<u>872,996</u>
Net property and equipment	<u>\$ 753,917</u>

Depreciation expense was \$51,556 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, 2012 are carried at quoted market prices and consists of mutual funds with a cost of \$154,822 and a market value of \$151,602. 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, 2012). At June 30, 2012, the outstanding principal balance owed was \$40,000.

NOTE 6 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2012 relate to funds contributed to the Organization restricted for education purposes.

Permanently restricted net assets at June 30, 2012 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, 2012  
(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 2012. Rent expense under these leases for the year ended June 30, 2012 was \$75,240.

The Organization also leases office equipment under a non-cancelable lease through April, 2017. Rent expense under this operating lease was \$1,996. Future minimum lease payments under this operating lease for the years ending June 30, are as follows:

Year Ending June 30,	
2013	\$11,976
2014	11,976
2015	11,976
2016	11,976
2017	11,976
Thereafter	998
	<u>\$60,878</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, 2012 was \$35,551.

FLORIDA KEYS CHILDREN'S SHELTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)

NOTE 9 - FUNDING/ECONOMIC DEPENDENCE

For the year ended June 30, 2012, approximately 80% 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 22, 2012, the date the financial statements were available to be issued.



**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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON SUPPLEMENTAL INFORMATION

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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, 2012 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 22, 2012



FLORIDA KEYS CHILDREN'S SHELTER, INC.  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2012

<u>State Agency, State Project</u>	<u>CSFA Number</u>	<u>Grantor Contract Number</u>	<u>Expenditures</u>
Indirect Projects			
Florida Network of Youth and Family Services CINS/FINS	80.005	N/A	\$ 646,626
Department of Children and Families passed through Southermost Homeless Challenge Grant	60.014	N/A	10,000
Department of Transportation passed through Guidance Clinic of the Middle Keys, Inc.	55.001	N/A	<u>10,492</u>
Total Indirect Projects			<u>667,118</u>
Total Expenditures of State Financial Assistance			<u>\$ 667,118</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.

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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**

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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, 2012 and have issued our report thereon dated October 22, 2012. 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, S. A.*

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MAGRAM & MAGRAM, P.A.

October 22, 2012



**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, 2012. 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, 2012.

### 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 deficiency in 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 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 program 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 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.



MAGRAM & MAGRAM, P.A.

October 22, 2012

THE FLORIDA KEYS CHILDREN'S SHELTER, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE PROJECTS  
 FOR THE YEAR ENDED JUNE 30, 2012

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

Yes  No

Reportable condition(s) identified not

considered to be material weakness(es)

Yes  None Reported

Noncompliance material to financial  
statements noted

Yes  No

State Financial Assistance

Internal control over major state projects:

Material weakness(es) identified?

Yes  No

Reportable condition(s) identified not

considered to be material weakness(es)?

Yes  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, 2012

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
<hr/>	
Dollar threshold used to distinguish between Type A and Type B projects for major state financial assistance:	\$200,135

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