

AMKids, Inc. and Affiliates
Index
Year ended June 30, 2014
(With comparative financial information for 2013)

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Independent Auditors' Report

Board of Trustees
AMIkids, Inc.

We have audited the accompanying combined financial statements of AMIkids, Inc. and Affiliates (the "Organization"), which comprise the combined statement of financial position as of June 30, 2014, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of AMIkids, Inc. and Affiliates as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 (Functional Allocation of Expenses), effective July 1, 2013, the Organization elected to change its method of accounting for allocating certain expenses which were previously classified as management and general to program services in order to better reflect the Organization's functional activities. This change has also been reflected in the summarized comparative financial statements as of and for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

As discussed in Note 10, effective July 1, 2013, the Organization revised the estimate of its workers compensation and vehicle insurance reserves. This change in estimate reflects a change in conditions and not a change in accounting principle. Our opinion is not modified with respect to this matter.

As discussed in Note 14, the summarized comparative financial statements as of June 30, 2013 and for the year then ended have been restated to correct a misstatement related to the accounting for a vehicle insurance refund. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the AMLkids, Inc. and Affiliates 2013 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated September 17, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Rules of the Florida Department of Financial Services, Chapter 69I-5, Florida Administrative Code, and the State of Texas Single Audit Circular is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2014 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

Tampa, Florida
September 17, 2014

AMikids, Inc. and Affiliates
Combined Statement of Financial Position
June 30, 2014
(With comparative financial information for 2013)

| | <u>2014</u> | <u>(As Restated - Note 14) 2013</u> |
|-----------------------------------|----------------------|---|
| Assets | | |
| Cash and Cash Equivalents | \$ 7,859,405 | \$ 6,917,680 |
| Investments | 8,781,254 | 8,255,320 |
| Accounts Receivable: | | |
| Funding Agencies | 3,408,982 | 4,321,290 |
| Other | 386,490 | 667,035 |
| Prepaid Expenses and Other Assets | 1,530,241 | 1,587,305 |
| Assets Held for Sale | 1,684,391 | 2,051,295 |
| Boat Inventory | 2,923,450 | 1,822,460 |
| Boats under Lease | 4,502,947 | 5,849,076 |
| Property and Equipment, Net | 11,554,264 | 11,530,303 |
| | <u>\$ 42,631,424</u> | <u>\$ 43,001,764</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Lines of Credit | \$ 1,000,000 | \$ 1,103,000 |
| Accounts Payable | 1,750,810 | 1,479,858 |
| Accrued Expenses | 8,342,502 | 8,742,674 |
| Accrued Pension | 2,874,630 | 2,898,863 |
| Deferred Revenues | 615,044 | 765,476 |
| Security Deposits | 1,245,846 | 1,600,746 |
| Notes Payable | 1,928,358 | 2,448,489 |
| Total Liabilities | <u>17,757,190</u> | <u>19,039,106</u> |
| Net Assets: | | |
| Unrestricted | 22,116,756 | 21,655,913 |
| Temporarily Restricted | 2,700,388 | 2,249,655 |
| Permanently Restricted | 57,090 | 57,090 |
| Total Net Assets | <u>24,874,234</u> | <u>23,962,658</u> |
| | <u>\$ 42,631,424</u> | <u>\$ 43,001,764</u> |

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

AMIkids, Inc. and Affiliates

Combined Statement of Activities

Year ended June 30, 2014

(With summarized financial information for 2013)

| | Unrestricted | Temporarily restricted | Permanently restricted | Totals | |
|---|----------------------|---------------------------|---------------------------|----------------------|------------------------------------|
| | | | | 2014 | (As Restated - Note 14) 2013 |
| Public support and revenue: | | | | | |
| State support: | | | | | |
| Florida | \$ 14,970,058 | \$ - | \$ - | \$ 14,970,058 | \$ 15,258,444 |
| South Carolina | 8,445,626 | - | - | 8,445,626 | 8,217,969 |
| Louisiana | 1,527,611 | - | - | 1,527,611 | 1,569,156 |
| Georgia | - | - | - | - | 1,298,359 |
| Texas | 728,992 | - | - | 728,992 | 535,166 |
| North Carolina | 1,500,000 | - | - | 1,500,000 | 1,469,399 |
| Federal support | 5,539,436 | - | - | 5,539,436 | 7,209,016 |
| Regional support | 9,863,597 | - | - | 9,863,597 | 10,423,154 |
| Contributions | 1,459,266 | 2,652,535 | - | 4,111,801 | 3,882,915 |
| Total public support | <u>44,034,586</u> | <u>2,652,535</u> | <u>-</u> | <u>46,687,121</u> | <u>49,863,578</u> |
| Revenue: | | | | | |
| Boat program | 7,184,521 | - | - | 7,184,521 | 4,763,821 |
| Investment income | 387,222 | 11,416 | - | 398,638 | 292,228 |
| Other | 609,071 | - | - | 609,071 | 1,688,859 |
| Total revenue | <u>8,180,814</u> | <u>11,416</u> | <u>-</u> | <u>8,192,230</u> | <u>6,744,908</u> |
| Net assets released from restrictions | <u>2,213,218</u> | <u>(2,213,218)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total public support and revenue | <u>54,428,618</u> | <u>450,733</u> | <u>-</u> | <u>54,879,351</u> | <u>56,608,486</u> |
| Expenses: | | | | | |
| Program services | 43,206,833 | - | - | 43,206,833 | 54,166,409 |
| Management and general | 4,999,573 | - | - | 4,999,573 | 7,706,375 |
| Fundraising | 282,347 | - | - | 282,347 | 321,773 |
| Boat program | 5,479,022 | - | - | 5,479,022 | 4,243,321 |
| Total expenses | <u>53,967,775</u> | <u>-</u> | <u>-</u> | <u>53,967,775</u> | <u>66,437,878</u> |
| Change in net assets | 460,843 | 450,733 | - | 911,576 | (9,829,392) |
| Net assets, beginning of year (as restated - Note 14) | 21,655,913 | 2,249,655 | 57,090 | 23,962,658 | 33,792,050 |
| Net assets, end of year | <u>\$ 22,116,756</u> | <u>\$ 2,700,388</u> | <u>\$ 57,090</u> | <u>\$ 24,874,234</u> | <u>\$ 23,962,658</u> |

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

AMikids, Inc. and Affiliates
Combined Statement of Functional Expenses
Year ended June 30, 2014
(With summarized financial information for 2013)

| | Supporting Services | | | | Total | Totals | |
|-------------------------------------|-------------------------------|-------------------------------|---------------------|---------------------|----------------------|-------------------------|----------------------|
| | Total Program Services | Management and General | Fund Raising | Boat Program | | Support Services | 2014 |
| Salaries | \$ 23,139,534 | \$ 1,703,763 | \$ 138,396 | \$ 449,004 | \$ 2,291,163 | \$ 25,430,697 | \$ 30,668,456 |
| Employee benefits and payroll taxes | 5,953,768 | 698,116 | 13,170 | 133,476 | 844,762 | 6,798,530 | 10,347,968 |
| Commissions | - | - | - | 1,328,597 | 1,328,597 | 1,328,597 | 614,909 |
| Travel | 924,147 | 92,573 | 14,735 | 88,734 | 196,042 | 1,120,189 | 1,517,528 |
| Conferences and training | 772,478 | 37,386 | 107 | - | 37,493 | 809,971 | 1,026,069 |
| Books and publications | 20,577 | 41,616 | 2,432 | 1,262 | 45,310 | 65,887 | 76,299 |
| Rent and utilities | 2,239,882 | 90,554 | - | 12,083 | 102,637 | 2,342,519 | 2,589,753 |
| Insurance | 2,141,985 | 12,327 | - | 227,957 | 240,284 | 2,382,269 | 3,257,202 |
| Telephone | 671,646 | 29,925 | 3,767 | 18,451 | 52,143 | 723,789 | 910,054 |
| Professional fees | 871,113 | 951,208 | 65,726 | 292,580 | 1,309,514 | 2,180,627 | 1,583,917 |
| Postage | - | 108,032 | - | 2,185 | 110,217 | 110,217 | 126,461 |
| Student supplies and training | 2,977,303 | 216,857 | 38,574 | 36,357 | 291,788 | 3,269,091 | 3,424,869 |
| Community development | 179,898 | 333,515 | 5,440 | 605 | 339,560 | 519,458 | 601,068 |
| Equipment and maintenance | 1,570,556 | 314,860 | - | 879,638 | 1,194,498 | 2,765,054 | 2,865,419 |
| Transportation | - | - | - | 72,791 | 72,791 | 72,791 | 81,409 |
| Dockage | - | - | - | 146,949 | 146,949 | 146,949 | 82,586 |
| Interest | 108,159 | 78,716 | - | 22,578 | 101,294 | 209,453 | 287,068 |
| Depreciation and amortization | 1,423,392 | 111,055 | - | 73,398 | 184,453 | 1,607,845 | 2,242,553 |
| Amortization of boats on charter | - | - | - | 1,664,739 | 1,664,739 | 1,664,739 | 1,777,805 |
| Impairment and other expenses | 212,395 | 179,070 | - | 27,638 | 206,708 | 419,103 | 2,356,485 |
| Total Expenses | \$ 43,206,833 | \$ 4,999,573 | \$ 282,347 | \$ 5,479,022 | \$ 10,760,942 | \$ 53,967,775 | \$ 66,437,878 |

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

AMikids, Inc. and Affiliates
Combined Statement of Cash Flows
Year ended June 30, 2014
(With comparative financial information for 2013)

| | <u>2014</u> | <u>(As Restated - Note 14) 2013</u> |
|---|---------------------|---|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 911,576 | \$ (9,829,392) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,607,845 | 2,242,553 |
| Net (gain) loss on disposal/impairment of property and equipment and assets held for sale | 225,905 | 989,539 |
| Donated property and equipment | (546,363) | (163,355) |
| Realized and unrealized gains on investments | (329,452) | (178,272) |
| Other loss | - | 106,220 |
| (Increase) decrease in: | | |
| Accounts receivable | 1,192,853 | 478,032 |
| Prepaid expenses and other assets | 57,064 | (102,144) |
| Boat Inventory | (1,100,990) | 1,079,609 |
| Boats under Lease | 1,346,129 | 440,310 |
| Restricted investments | - | 100,000 |
| Increase (decrease) in: | | |
| Accounts payable | 270,952 | 510,482 |
| Accrued expenses | (400,172) | 891,001 |
| Accrued pension | (24,233) | 1,546,199 |
| Deferred revenues | (328,167) | (496,979) |
| Security deposits | (354,900) | 43,605 |
| Net cash provided by (used in) operating activities | <u>2,528,046</u> | <u>(2,342,592)</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (1,391,263) | (749,883) |
| Proceeds from sale of property and equipment and assets held for sale | 655,715 | 1,373,304 |
| Proceeds from sale of investments | 5,514,506 | 6,819,550 |
| Purchases of investments | (5,710,988) | (6,794,695) |
| Net cash provided by (used in) investing activities | <u>(932,030)</u> | <u>648,276</u> |
| Cash flows from financing activities: | | |
| Net (repayments) borrowings on lines of credit | - | 1,102,060 |
| Proceeds from new borrowings from third parties | 627,871 | 36,000 |
| Payments on notes payable | (1,282,162) | (1,555,449) |
| Net cash used in financing activities | <u>(654,291)</u> | <u>(417,389)</u> |
| Net increase (decrease) in cash and cash equivalents | 941,725 | (2,111,705) |
| Cash and cash equivalents at beginning of year | 6,917,680 | 9,029,385 |
| Cash and cash equivalents at end of year | <u>\$ 7,859,405</u> | <u>\$ 6,917,680</u> |
| Cash paid for interest | <u>\$ 209,453</u> | <u>\$ 287,068</u> |
| Supplemental disclosure of noncash investing and financing activities: | | |
| Financed purchases of property and equipment | \$ 31,160 | \$ 129,890 |
| Other noncash additions of property and equipment | 177,735 | 526,276 |
| Line of credit refinanced to note payable | 103,000 | - |

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2014
(With comparative financial information for 2013)

1. Summary of Significant Accounting Policies

Organization

AMIkids, Inc. and affiliated member institutes and schools, non-profit corporations (collectively referred to as "AMIkids" or the "Organization"), are engaged in the rehabilitation of troubled youth by providing education, treatment and behavior modification as components of the AMIkids Personal Growth Model. These services are performed by AMIkids through over fifty affiliated, but independently governed member institutes and schools located in Florida, Georgia, Louisiana, New Mexico, North Carolina, South Carolina, Texas, and Virginia. The educational component of AMIkids, Inc. and the affiliated institutes is accredited by AdvancED, a global accrediting agency dedicated to advancing excellence in schools, universities, and educational agencies. AMIkids' operating funds are primarily generated from state and federal contracts, local funding, contributions and boat program operations. AMIkids, Inc. executes the majority of contracts, collects funds, coordinates the operations, and manages the record keeping of these member institutes and schools.

As part of the combined group, AMIkids Foundation, Inc. supports the group in raising funds and investment management.

Continued operation of AMIkids' rehabilitation programs is dependent on funding from state, federal and local agencies.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from such estimates and such differences could be material.

Basis of Presentation

The combined financial statements include the accounts of AMIkids, Inc., AMIkids Foundation, Inc., and affiliated member institutes and schools. All significant intercompany balances and transactions have been eliminated. The accompanying combined financial statements are presented on the accrual basis of accounting. Assets are presented in the accompanying combined statement of financial position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity and resulting use of cash.

Unrestricted net assets consist of amounts that are available for use in carrying out the activities of AMIkids. Temporarily restricted net assets represent those amounts which are not available until future periods or are donor restricted for specific purposes. Permanently restricted net assets result from gifts and bequests from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity.

Cash and Cash Equivalents

Cash and cash equivalents represent cash and highly liquid investments with original maturities of three months or less.

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2014
(With comparative financial information for 2013)

Cash is maintained in bank deposit accounts, which at times may exceed federally insured limits. AMIkids believes it is not exposed to any significant credit risk in these accounts.

Investments and Investment Income

Investments are recorded at cost at the time of purchase. Donated securities are recorded at fair value at the time of donation. Subsequent changes in fair value, regardless of how an investment is obtained, are determined based on quoted market prices and values provided by the investment sponsors, and are recorded as unrealized gains and losses. Net appreciation (depreciation) of investments reflects the net realized and unrealized gains and losses of investments during the reporting period. Interest and dividends are recorded as earned. Dispositions of securities are reflected in the combined financial statements as of the trade date.

Accounts Receivable

Accounts receivable consists primarily of receivables from federal and state agencies and county school boards. AMIkids considers these accounts receivable to be fully collectible and therefore has not recorded an allowance for doubtful accounts. Amounts becoming uncollectible will be charged to operations when that determination is made.

Boat Inventory

Boat inventory represents boats held for resale which are valued at estimated fair value at the time of the donation. Fair value is estimated based on third party appraisals, broker valuations and management's experience with the boat charter industry. Fair values are reviewed quarterly by management and are reduced when necessary. Adjustments to fair value are recorded as a reduction in boat program revenue if the adjustment is made during the year of the donation and as an increase in boat program expense if made in subsequent years. Normal expenditures for repairs and maintenance of boats are expensed as incurred.

Some boat donations are structured in a way where AMIkids, Inc. pays for a portion of the value of the donated boat and reduces boat program revenues. For the years ended June 30, 2014 and 2013, no such donations were received.

Boats under Lease

AMIkids charters its boats to third parties under operating leases for periods of up to three years or less. The operating leases contain options to purchase the boat at the end of the charter period for the fair value estimated by management at lease inception, with all of the charter payments applied to the purchase price. Revenues are recognized as received except for security deposits and short-term lease payments. Security deposits are recognized if and when the purchase option is exercised. Short-term lease payments are recognized over the first nine months of the lease, which represents the time period in which the lessee can terminate the lease and receive a partial refund of the short-term lease payment. If the purchase option is not exercised, the boat is returned to AMIkids, Inc. and the security deposit is returned to the lessee after deducting all necessary expenses for the boat to be in the same condition as at time of initiation of the lease.

Future minimum lease payments due under operating leases during fiscal years 2015, 2016 and 2017 are approximately \$836,000, \$467,000 and \$225,000, respectively. At June 30, 2014 and 2013, the unexercised purchase options were approximately \$2,660,000 and \$4,100,000, respectively. The gross value and accumulated depreciation on leased property as of June 30, 2014 was approximately \$7,085,000 and \$2,580,000 respectively. The gross value and accumulated depreciation on leased property as of June 30, 2013 was approximately \$10,740,000 and \$4,840,000, respectively.

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2014
(With comparative financial information for 2013)

Amortization of boats under lease amounted to \$1,664,739 and \$1,777,805 for the years ended June 30, 2014 and 2013, respectively. Amortization does not include the book value of boats optioned or sold to buyers, which was \$3,368,413 and \$1,339,703 for the years ended June 30, 2014 and 2013, respectively.

Property and Equipment

Property and equipment are stated at cost if purchased, or at estimated fair value at date of receipt if donated. Property and equipment transferred to an institute or school by a funding agency are stated at estimated fair value at date of transfer. Property and equipment transferred or acquired with grant funds may revert to the funding agency should the institute or school no longer provide the services required by the contract. At the time property is retired, or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in earnings. Repairs and maintenance are expensed when incurred. Depreciation and amortization is calculated using the straight-line method over the following estimated useful lives of the assets (shorter of estimated useful life or term of the lease as to leasehold improvements) as follows:

| | |
|--------------------------------------|------------|
| Permanent site improvements | 3-30 years |
| Buildings and leasehold improvements | 5-30 years |
| Furniture, fixtures and equipment | 3-5 years |
| Motor vehicles | 3-5 years |
| Boats, motors and trailers | 3 years |
| Swimming pools | 10 years |

Assets Held for Sale

As of June 30, 2014 and 2013, the Organization intends to sell the following vacated properties and has classified the net book value of the land, building and improvements as held for sale on the combined statement of financial position:

| <u>Institute</u> | <u>Property held for sale</u> | <u>2014</u> | <u>2013</u> |
|----------------------------|----------------------------------|--------------------|--------------------|
| AMIkids Inc ^{1,2} | Land, buildings and improvements | \$ 300,000 | \$ 178,600 |
| Gainesville | Land, buildings and improvements | 69,301 | - |
| Manatee ¹ | Land, buildings and improvements | - | 300,000 |
| Middle Georgia | Land, buildings and improvements | - | 151,047 |
| Northeast Louisiana | Land and improvements | 50,000 | 100,000 |
| Panama City Marine | Land | 140,000 | 140,000 |
| Pasco | Land | 110,000 | 110,000 |
| Peninsula | Land, buildings and improvements | - | 143,875 |
| Jefferson | Land, buildings and improvements | - | 200,000 |
| Louisiana Properties | Land, buildings and improvements | 350,000 | 405,163 |
| Red River | Land, buildings and improvements | 355,090 | - |
| WINGS Texas | Land, buildings and improvements | 310,000 | 322,610 |
| | | <u>\$1,684,391</u> | <u>\$2,051,295</u> |

¹During 2014, title to Manatee's property was transferred to AMIkids Inc.

²During 2014, two parcels of land totaling \$178,600 were reclassified to property and equipment

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2014
(With comparative financial information for 2013)

Impairment of Long-Lived Assets and Assets Held for Sale

AMIkids reviews all long-lived assets, which consist primarily of property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the discounted cash flows. There were no impairment of long-lived assets during 2014 and 2013. Recoverability of assets held for sale is measured by a comparison of the assets carrying value to its fair value and any excess of its carrying value over fair value is recorded as impairment. During 2014 and 2013, the Organization recorded impairment charges for assets held for sale as follows:

| <u>Institute</u> | <u>Description of property</u> | <u>Reason for impairment</u> | <u>Fair value measurement</u> | 2014 | 2013 |
|-----------------------------------|----------------------------------|------------------------------|-------------------------------|-------------------|--------------------|
| | | | | | |
| Baxley | Buildings and site improvements | Closure of facility | Complete write-off | \$ - | \$ 95,031 |
| Bayou | Land improvements | Closure of facility | Complete write-off | - | 63,519 |
| Manatee | Land, buildings and improvements | Closure of facility | Comparable sales | - | 555,958 |
| Northeast Louisiana | Land and improvements | Closure of facility | Comparable sales | 50,000 | 51,993 |
| Panama City Marine | Land | Changed intended usage | Listing price | - | 327,000 |
| Peninsula | Land, buildings and improvements | Purchase offer | Purchase offer | - | 155,875 |
| Jefferson | Land, buildings and improvements | Closure of facility | Listing price | - | 155,100 |
| Louisiana Properties ¹ | Land, buildings and improvements | Closure of facility | Purchase offer | 55,163 | 108,734 |
| WINGS Texas | Land, buildings and improvements | Closure of facility | Purchase offer | 12,610 | - |
| | | | | <u>\$ 117,773</u> | <u>\$1,513,210</u> |

¹Reflects real property leased to AMIkids Southwest Louisiana until it ceased operations in 2013 due to loss of funding

Fair value for the above impairments was based on actual offers to purchase the property, the listed price less estimated costs to sell, or comparable sales for similar properties in similar areas. Impairment charges are included in impairment and other expenses within management and general on the combined statement of functional expenses.

Deferred revenue

Deferred revenue is related to grant and short-term boat lease payments collected in advance of revenue recognition.

Use of Facilities

Facilities provided by a funding agency to an institute or school for use during the term of its contract are recorded as an in-kind contribution and rental expense in the financial statements in the period in which the facilities are utilized by the institute or school. The amounts recorded in each period of use by the institute or school represent the difference between the fair rental value of the facilities and the stated amount of the rent payments. The stated amount of the rent payments is generally zero. In-kind rental contributions and the related rental expense were approximately \$450,000 and \$510,000 for the years ended June 30, 2014 and 2013, respectively, and are reflected as contributions revenue and rent and utilities expense, respectively, in the accompanying combined financial statements.

Public Support and Revenue

Public support is primarily from contracts with various federal, state and local agencies. Contracts with state and some federal agencies generally provide funding based on client service days.

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(With comparative financial information for 2013)

Regional support represents amounts received from local sources, including county school boards and United Way agencies. Other revenue is primarily special fundraising events and gain on sale of property and equipment.

A significant portion of AMIkids' contracts are exchange transactions in which each party receives and sacrifices commensurate value. Funds from these exchange transactions are not considered contributions and, as such, are deemed to be earned and reported as revenue when such funds have been expended towards the designated purpose.

Contributions received are measured at their fair values and are reported as increases in net assets. AMIkids reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Donated Services

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by the individuals possessing those skills and would be typically purchased if not provided by donation. For the years ended June 30, 2014 and 2013, donated services were not material to the combined financial statements.

Fair Value of Financial Instruments

The Organization reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 – Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuation based on observable quoted prices for similar assets and liabilities in active markets.
- Level 3 – Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses. The fair value of the lines of credit and notes payable are estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

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The Organization's Level 1 financial assets as of June 30, 2014 and 2013 consist of investments of \$6,235,663 and \$5,654,437, respectively. Level 1 investments include pooled equity funds, pooled fixed income funds, equity securities and government securities valued based on quoted market prices. Level 2 financial assets as of June 30, 2014 and 2013 consist of corporate bonds (included in pooled fixed income funds in Note 2) of \$41,431 and \$96,522, respectively, and cash surrender of insurance policies of \$76,181 and \$72,831, respectively. Corporate bonds are valued based upon recent bid prices. The cash surrender value of insurance policies is the quoted market prices of the underlying securities. The Organization has no Level 3 financial instruments.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited. Other expenses are allocated based on management's estimate of the benefit derived by each activity. Effective July 1, 2013, the Organization elected to change its method of accounting for allocating certain expenses which were previously classified as management and general to program services in order to better reflect the Organization's functional activities. This change has also been reflected in the summarized comparative financial statements for the year ended June 30, 2013. This resulted in an increase in program service expenses and decrease in management and general expenses of approximately \$1.8 million and \$2.5 million for the years ended June 30, 2014 and 2013, respectively. There was no effect of this change on net assets or change in net assets as of and for the years ended June 30, 2014 or 2013.

Income Taxes

AMIkids, Inc. and affiliated member institutes and schools are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. There is minimal income tax associated with unrelated business income mainly from the sale of donated boats.

The Organization identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. The Organization has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Organization's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Summarized Financial Information for 2013

The financial information for the year ended June 30, 2013 is presented for comparative purposes, and is not intended to be a complete presentation. Certain amounts for fiscal 2013 have been reclassified to conform with their presentation in the 2014 combined financial statements with no impact on total net assets or changes in net assets.

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Notes to Combined Financial Statements
Year ended June 30, 2014
(With comparative financial information for 2013)

2. Investments

Investments at June 30, 2014 and 2013 consist of:

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| Certificates of deposit | \$ 2,427,979 | \$ 2,431,530 |
| Pooled equity funds | 1,617,026 | 1,511,369 |
| Pooled fixed income funds | 460,236 | 484,899 |
| Equity securities | - | 87,203 |
| Cash surrender value of insurance policies | 76,181 | 72,831 |
| Government securities | 4,199,832 | 3,667,488 |
| | <u>\$ 8,781,254</u> | <u>\$ 8,255,320</u> |

Investment income was comprised of the following for the years ended June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|-----------------------------------|-------------------|-------------------|
| Interest and dividends | \$ 69,186 | \$ 113,956 |
| Net realized and unrealized gains | 329,452 | 178,272 |
| | <u>\$ 398,638</u> | <u>\$ 292,228</u> |

3. Property and Equipment

Property and equipment at June 30, 2014 and 2013 consist of:

| | <u>2014</u> | <u>2013</u> |
|---|----------------------|----------------------|
| Land and permanent site improvements | \$ 3,509,824 | \$ 3,825,915 |
| Buildings and leasehold improvements | 21,328,141 | 21,319,541 |
| Furniture, fixtures and equipment | 7,922,286 | 8,707,444 |
| Motor vehicles | 2,135,648 | 2,712,422 |
| Boats, motors and trailers | 1,217,638 | 812,697 |
| Swimming Pools | 392,209 | 469,723 |
| Construction in progress (estimate to complete is \$18,000) | 133,810 | 131,258 |
| | <u>36,639,556</u> | <u>37,979,000</u> |
| Less accumulated depreciation and amortization | (25,085,292) | (26,448,697) |
| | <u>\$ 11,554,264</u> | <u>\$ 11,530,303</u> |

Included in furniture, fixtures and equipment are assets recorded under capital leases with a cost and accumulated depreciation of \$147,732 and \$82,368, respectively, at June 30, 2014 and \$174,270 and \$111,294 respectively, at June 30, 2013.

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2014
(With comparative financial information for 2013)

Certain of AMIkids' affiliated institutes and schools have purchased various assets with contract funds. Under the terms of these contracts, the funding agency may require such assets to be returned upon termination of the contract or program.

4. Lines of Credit

Lines of credit at June 30, 2014 and 2013 consist of:

| Entity | 2014 | 2013 |
|--|---------------------|---------------------|
| AMIkids, Inc. Line of Credit, maximum principal amount of \$3,000,000, bearing variable interest at 2.4% above the SunTrust 30 Day LIBOR (interest rate at June 30, 2014 was 2.55%), expiring February 11, 2015, collateralized by government receivables | \$ - | \$ - |
| AMIkids, Inc. Line of Credit, maximum principal amount of \$6,000,000, bearing variable interest at 2.4% above the SunTrust 30 Day LIBOR (interest rate at June 30, 2014 was 2.55%), expiring February 11, 2015, collateralized by vessel inventory and lease receivables | 1,000,000 | 1,000,000 |
| Panama City Line of credit, maximum available \$0, interest-only with interest at 5.5%, due July 2013; collateralized by equipment. Refinanced in August 2013 with a five year promissory note. | - | 103,000 |
| Space Coast Line of Credit, maximum principal amount of \$100,000, interest rate tied to the WSJ Prime Rate plus 1.5% with a floor rate of 5% (interest rate at June 30, 2014 was 5.00%), expiring December 2014, collateralized by building | - | - |
| Total Lines of Credit | \$ 1,000,000 | \$ 1,103,000 |

The AMIkids, Inc. lines of credit are cross-collateralized and are secured by the borrowing-base assets disclosed above as well as other assets of AMIkids, Inc.

At June 30, 2014, the Organization had a maximum of approximately \$8,100,000 available under lines of credit, subject to availability based on asset levels. The actual amount available based on asset levels as of June 30, 2014 was approximately \$4,700,000. The AMIkids, Inc. lines of credit contain restrictive financial covenants related to liquidity to modified debt ratio and the maintenance of minimum cash and marketable securities levels. The Organization was in compliance with these restrictive covenants as of and for the years ended June 30, 2014 and 2013.

AMikids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2014
(With comparative financial information for 2013)

5. Notes Payable

Notes payable at June 30, 2014 and 2013 consists of:

| <u>Entity</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|
| AMikids, Inc. Mortgage payable bearing interest at 30 Day LIBOR index plus 2.1% (interest rate at June 30, 2014 was 2.25%); monthly instalments of \$7,711 plus interest, due April 2017 with a final payment of \$7,843, collateralized by building | \$ 258,511 | \$ 351,041 |
| AMikids, Inc. Mortgage payable bearing interest at 30 Day LIBOR index plus 2.1% (interest rate at June 30, 2014 was 2.25%); monthly instalments of \$4,564 plus interest, due April 2017 with a final payment of \$4,565, collateralized by building | 155,185 | 209,956 |
| Beaufort Note payable in monthly installments of \$664, including interest at 1.99%, due August 2018, collateralized by vehicle | 31,220 | 37,895 |
| Beaufort Note payable in monthly installments of \$666, including interest at 2.2%, due October 2018, collateralized by certificate of deposit | 32,975 | 39,561 |
| Baton Rouge Note payable in monthly installments of \$1,783 including interest at 5.9%. Vehicle sold and note paid in full in 2014. | - | 19,333 |
| Baton Rouge Note payable in monthly installments of \$792, including interest at 5.9%. Vehicle sold and note paid in full in 2014. | - | 27,388 |
| Georgetown Note payable in monthly installments of \$956, including interest at 6.7%, due November 2016; collateralized by vehicles | 18,534 | 30,247 |
| Jacksonville Note payable in monthly installments of \$500, including interest at 13.3%, due March 2015, collateralized by equipment under capital lease | 3,797 | 9,313 |
| Jacksonville Mortgage payable in monthly principal installments of \$2,510 plus interest of 3.5% over the LIBOR rate (interest rate at June 30, 2014 was 3.65%), with balloon payment of approx. \$484,500 due April 2018, secured by Institute premises and guaranteed by AMikids, Inc., and is cross collateralized | 597,447 | - |
| Jefferson Mortgage payable in monthly principal installments of \$2,398, plus interest of LIBOR Index rate plus 2.1%. Paid in full in 2014. | - | 108,269 |

AMlkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2014
(With comparative financial information for 2013)

| <u>Entity</u> | <u>2014</u> | <u>2013</u> |
|---|---------------------|---------------------|
| Louisiana Properties Mortgage payable in monthly installments of \$24,085, plus interest of 5.2%. Paid in full in 2014. | - | 819,918 |
| Orlando Mortgage payable in monthly installments of \$1,370 including interest at 7.25%, due November 2017, collateralized by building | 50,135 | 62,446 |
| Panama City Note payable in monthly installments of \$1,973, including interest at 5.5%, due August 2018; collateralized by equipment | 87,839 | - |
| Panama City Note payable in monthly installments of \$681, including interest at 5%, due May 2018; uncollateralized. Refinanced in 2014. | - | 35,484 |
| Panama City Mortgage payable in monthly installments of \$3,410, including interest at 4.75% with balloon payment of approx. \$323,400, due January 2022, collateralized by land and buildings. Refinanced in 2014 with new terms reflected above. | 484,627 | 465,838 |
| Pensacola Mortgage payable in monthly installments of \$966, including interest at 3%, due June, 2019 with final balloon payment of of approx \$54,500, collateralized by building. Refinanced in 2014 with new terms reflected above. | 100,000 | 85,954 |
| Piedmont Mortgage payable in monthly installments of \$662 including interest at 6.5%, balloon payment of approx \$29,400, due November 2016, collateralized by building | 42,458 | 47,460 |
| Virginia Wilderness Note payable in monthly installments of \$5,000, including interest at 6%. Paid in full in 2014. | - | 36,787 |
| Various Various notes payable, monthly installments from \$137 to \$500, various interest rates, due various dates through June 2019, collateralized by equipment. | 65,630 | 61,599 |
| Total Notes Payable | \$ 1,928,358 | \$ 2,448,489 |

AMikids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2014
(With comparative financial information for 2013)

Principal payments on notes payable for years subsequent to June 30, 2014 are as follows:

| | |
|------------|---------------------|
| 2015 | \$ 295,860 |
| 2016 | 286,183 |
| 2017 | 278,118 |
| 2018 | 589,434 |
| 2019 | 94,952 |
| Thereafter | <u>383,811</u> |
| | <u>\$ 1,928,358</u> |

6. Accrued Expenses

Accrued expenses at June 30, 2014 and 2013 consist of:

| | <u>2014</u> | <u>(As Restated - Note 14) 2013</u> |
|---|---------------------|---|
| Workers compensation self-insurance reserve | \$ 4,366,114 | \$ 4,122,594 |
| Vehicle and other self-insurance reserve | 901,412 | 955,575 |
| Medical self-insurance reserve | 500,000 | 500,000 |
| Accrued payroll | 339,358 | 475,709 |
| Accrued vacation | 636,274 | 693,333 |
| Accrued severance and unemployment | 196,601 | 1,088,236 |
| Accrued boat program payments | 781,934 | 171,158 |
| Other accruals | <u>620,809</u> | <u>736,069</u> |
| | <u>\$ 8,342,502</u> | <u>\$ 8,742,674</u> |

7. Restrictions and Limitations on Net Assets

Temporarily restricted net assets consist of the following at June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|--------------------------|---------------------|---------------------|
| Education/scholarship | \$ 802,867 | \$ 760,829 |
| Building / Equipment | 600,036 | 618,725 |
| Girls Initiative Program | 422,138 | 420,469 |
| Experiential Activities | 657,863 | 242,265 |
| Other | <u>217,484</u> | <u>207,367</u> |
| | <u>\$ 2,700,388</u> | <u>\$ 2,249,655</u> |

Permanently restricted net assets represent endowment funds invested in perpetuity. The income from the endowment funds is restricted to assist former students of AMikids' programs with educational or employment-related expense.

Effective July 1, 2012, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). FUPMIFA establishes statutory law governing Florida not-for-profit corporation's management of investments.

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Notes to Combined Financial Statements
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The Board of Trustees of the Organization has interpreted FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

8. Net Assets Released From Restrictions

Net assets were released from donor restrictions by occurrence of events specified by donors as follows for the years ended June 30, 2014 and 2013.

| | <u>2014</u> | <u>2013</u> |
|-------------------------|---------------------|---------------------|
| Education/scholarship | \$ 132,036 | \$ 236,896 |
| Building/ Equipment | 358,617 | 759,139 |
| Experiential Activities | 1,249,573 | 1,758,872 |
| Other | 472,992 | 638,425 |
| | <u>\$ 2,213,218</u> | <u>\$ 3,393,332</u> |

AMikids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2014
(With comparative financial information for 2013)

9. Net Assets

The following reflects the separate components of net assets of AMikids, Inc., AMikids Foundation and combined Member Institutes and Schools:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------|---------------------------|---------------------------|---------------|
| AMikids, Inc. | | | | |
| Net Assets June 30, 2012 | \$ 20,638,696 | \$ 44,513 | \$ 50,000 | \$ 20,733,209 |
| Change in Net Assets (As Restated - Note 14) | (7,416,302) | 7,319 | - | (7,408,983) |
| Net Assets June 30, 2013 (As Restated - Note 14) | 13,222,394 | 51,832 | 50,000 | 13,324,226 |
| Change in Net Assets | 1,698,631 | 361,708 | - | 2,060,339 |
| Net Assets June 30, 2014 | 14,921,025 | 413,540 | 50,000 | 15,384,565 |
| AMikids Foundation | | | | |
| Net Assets June 30, 2012 | 68,522 | 917,360 | 7,090 | 992,972 |
| Change in Net Assets | 26,180 | (66,962) | - | (40,782) |
| Net Assets June 30, 2013 | 94,702 | 850,398 | 7,090 | 952,190 |
| Change in Net Assets | 11,579 | 86,228 | - | 97,807 |
| Net Assets June 30, 2014 | 106,281 | 936,626 | 7,090 | 1,049,997 |
| Member Institutes and Schools | | | | |
| Net Assets June 30, 2012 | 9,929,428 | 2,036,441 | 100,000 | 12,065,869 |
| Change in Net Assets | (1,590,611) | (689,016) | (100,000) | (2,379,627) |
| Net Assets June 30, 2013 | 8,338,817 | 1,347,425 | - | 9,686,242 |
| Change in Net Assets | (1,249,367) | 2,797 | - | (1,246,570) |
| Net Assets June 30, 2014 | 7,089,450 | 1,350,222 | - | 8,439,672 |
| Total Net Assets as of June 30, 2014 | \$ 22,116,756 | \$ 2,700,388 | \$ 57,090 | \$ 24,874,234 |

10. Commitments and Contingencies

A substantial portion of AMikids' public support is derived from programs supported by various funding agencies. Under the terms of the agreements with the funding agencies, AMikids' financial records are subject to audit by the appropriate governmental authorities. Depending on the results of these audits, if any, funds may be required to be refunded to the appropriate agency.

AMikids is subject to various claims and legal proceedings which arise in the ordinary course of business. AMikids does not believe that these matters will have a material adverse effect on its financial position or results of operations.

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2014
(With comparative financial information for 2013)

AMIkids leases facilities under operating leases expiring in various years. Rent expense on these operating leases charged to operations for the years ended June 30, 2014 and 2013 was approximately \$647,000 and \$725,000, respectively. Based on the current operating leases, the annual lease expense is expected to remain consistent with 2014 expense over the next five years. Typically there are no operating leases with terms greater than five years.

AMIkids receives donations of boats that are valued at estimated fair value at the time of the donation. Management has estimated the value of the boat inventory at \$2,923,450 and \$1,822,460 at June 30, 2014 and 2013, respectively. Fair value is estimated based on third party appraisals, broker valuations and management's experience with the boat charter industry. The actual fair value of the boats is not known until the boat is sold or leased.

AMIkids has purchased high-deductible policies for workers compensation and for vehicle and other property and casualty insurance and is responsible for all claims below the deductible level. Management has accrued approximately \$5,268,000 and \$5,078,000 at June 30, 2014 and 2013 (as restated – Note 14), respectively, as an estimate of losses on unpaid claims under these insurance policies. These accruals are estimated based on current and historical claims experience. It is reasonably possible that these estimates will change and, if changed, could have a material impact on the Organization's financial position and results of operations. Effective July 1, 2013, AMIkids changed its accounting estimate for high deductible workers compensation and vehicle insurance from utilizing an 85% confidence level loss pick for the new workers compensation and vehicle insurance policy that begins September 1, 2013 through August 31, 2014 to utilizing a 75% confidence level. Loss picks are based upon five years of historical claim costs and do not reflect changes in program type or improved approaches to managing risk exposure. AMIkids believes that continuing to utilize the 85% confidence level loss pick would result in too conservative of an accounting accrual and current year expense given the reduced number of vehicles and improved approaches to managing vehicle risk by adding GPS tracking units on all vehicles that report speeds, sudden stops and traffic violations. This combined with the changing nature of AMIkids programs to more day program and educational in nature have lowered workers compensation exposure. The impact of this change in 2014 is a reduction in vehicle insurance and workers compensation expense by \$216,000 and \$231,000, respectively, and an increase in change in net assets by \$447,000.

Under AMIkids' workers compensation and vehicle policies, the Organization has provided the insurance carrier letter of credit for \$1,000,000, which is collateralized by investments and cash and cash equivalents held by AMIkids. There is also an additional \$4,500,000 held in a secured collateralized account to support these policies. Total investments and cash and cash equivalents of \$7,000,000 as of June 30, 2014 support the expected insurance commitments, including the required letters of credit and collateralized investment accounts.

AMIkids is self insured for group health insurance up to a maximum of \$125,000 per employee. Management has accrued \$500,000 at June 30, 2014 and 2013 for estimated claims, including known claims and claims which are estimated to have occurred but which have not yet been reported. This estimate is based on current and historical claims experience and other information obtained from AMIkids' insurance provider. It is reasonably possible that these estimates will change and, if changed, could have a material impact on the Organization's financial position and results of operations. Adjustments to the estimated claims accrual are made when the need for such adjustments becomes apparent.

AMikids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2014
(With comparative financial information for 2013)

11. Retirement Plans

AMikids maintains a noncontributory defined contribution pension plan covering all full-time employees who have completed two years of service and have attained the age of 20-1/2 years. Contributions to the plan are based on a percentage of each employee's total compensation for the year. The pension expense for the years ended June 30, 2014 and 2013 was approximately \$1,346,000 and \$1,623,000, respectively, and is included in employee benefits and payroll taxes on the combined statement of functional expenses.

AMikids has certain supplemental pension agreements with key members of management, which are accrued for and included in accrued pension in the combined statement of financial position. The supplemental pension is generally funded on an annual basis and the related assets are included as a component of investments.

12. Related Party Transactions

There were no related party transactions significant to the combined financial statements. AMikids has rigorous controls concerning related party transactions to ensure that all transactions are in the best interest of the mission. Details of related party transactions can be found in Form 990s which AMikids files annually with the Internal Revenue Service.

13. Institute Openings and Closings

During fiscal year ended June 30, 2013 and due to a loss of funding, the following Institutes were closed: AMikids Alexandria, Inc., AMikids Baxley, Inc., AMikids Bayou Region, Inc., AMikids Donaldsonville, Inc., AMikids Jefferson, Inc., AMikids Last Chance Ranch, Inc., AMikids Middle Georgia, Inc., AMikids Norfolk, Inc., AMikids Northeast Louisiana, Inc., AMikids Red River, Inc., AMikids Savannah River, Inc., AMikids Sarasota County, Inc., AMikids Southwest Louisiana, Inc., AMikids West Florida, Inc., and AMikids WINGS South Florida, Inc. The Organization paid approximately \$414,000 of severance and unemployment costs during 2013 related to these closures. In addition, approximately \$1,025,000 had been recorded in accrued expenses as of June 30, 2013 for future payments of unemployment and severance costs related to staff terminated pursuant to these closures. During 2014, payments made against this accrual were approximately \$668,000 and adjustments to reduce this accrual were approximately \$287,000 and recorded as a reduction in program expenses. As of June 30, 2014, approximately \$70,000 remains in accrued severance and unemployment expenses related to these closures. The total amount expensed during the year ended June 30, 2013 related to one-time termination benefits was approximately \$1,439,000 and is included in program expenses on the accompanying combined statement of activities. Of this amount, \$475,000 is included in salaries and \$964,000 is included in employee benefits and payroll taxes on the accompanying combined statement of functional expenses.

14. Restatement

The summarized comparative financial statements as of and for the year ended June 30, 2013 have been restated to correct an error related to the accounting for a vehicle insurance refund. The effect of this restatement is an increase in accrued expenses and total liabilities at June 30, 2013 of \$191,362 on the accompanying combined statement of financial position. Unrestricted net assets at June 30, 2013 and change in unrestricted net assets for the year ended June 30, 2013 was reduced by \$191,362

AMikids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2014
(With comparative financial information for 2013)

to reflect additional insurance expense which is included in management and general expenses (insurance expense) in the accompanying combined statements of activities and functional expenses.

15. Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to June 30, 2014 as of September 17, 2014, which is the date the combined financial statements were issued. Subsequent events occurring after September 17, 2014 have not been evaluated by management. No material events have occurred since June 30, 2014 that require recognition or disclosure in the combined financial statements.

Independent Auditors' Report on Supplementary Information

Board of Trustees
AMIKids, Inc.

Our audit of the combined financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

Tampa, Florida
September 17, 2014

AMikids, Inc. and Affiliates
Combining Schedule - Statement of Financial Position Information
June 30, 2014

Schedule I

| | AMikids | AMikids Acadiana | AMikids Foundation | AMikids Gainesville | AMikids Family Services | AMikids Baton Rouge | AMikids Baxley Wilderness | AMikids Beaufort | AMikids Big Cypress |
|---|----------------------|---------------------|-----------------------|------------------------|----------------------------|------------------------|------------------------------|---------------------|------------------------|
| Assets | | | | | | | | | |
| Cash and Cash Equivalents | \$ 1,865,608 | \$ 48,100 | \$ 3,179,670 | \$ 15,489 | \$ 188,358 | \$ 19,030 | \$ - | \$ 168,728 | \$ 48,040 |
| Investments | 7,305,319 | - | 575,483 | - | - | - | - | 364,888 | - |
| Accounts Receivable: | | | | | | | | | |
| Funding Agencies | 2,180,314 | - | - | 1,995 | - | 210,462 | - | 5,218 | 26,706 |
| Other, net | 87,111 | 8,133 | 51,142 | 5,153 | - | 5,280 | - | 48,991 | 3,628 |
| Prepaid Expenses and Other Assets | 603,657 | 45,224 | - | 33,937 | 50,448 | 42,876 | - | 47,839 | 35,262 |
| Due from Affiliates | 12,869,800 | 130,864 | - | 41,424 | 470,858 | 20,221 | - | 106,310 | 149,648 |
| Assets Held for Sale | 300,000 | - | - | 69,301 | - | - | - | - | - |
| Boat Inventory | 2,923,450 | - | - | - | - | - | - | - | - |
| Boats under Lease | 4,502,947 | - | - | - | - | - | - | - | - |
| Property and Equipment, Net | 1,299,312 | 53,263 | - | 86,097 | 5,953 | 452,785 | 5,370 | 426,977 | 45,162 |
| | <u>\$ 33,937,518</u> | <u>\$ 285,584</u> | <u>\$ 3,806,295</u> | <u>\$ 253,396</u> | <u>\$ 715,617</u> | <u>\$ 750,654</u> | <u>\$ 5,370</u> | <u>\$ 1,168,951</u> | <u>\$ 308,446</u> |
| Liabilities and Net Assets (Deficit) | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Lines of Credit | \$ 1,000,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts Payable | 812,442 | 34,161 | - | 15,597 | 18,965 | 16,447 | - | 31,322 | 35,347 |
| Accrued Expenses | 12,357,460 | 49,898 | 826 | 12,008 | 21,374 | 22,464 | - | 39,863 | 81,730 |
| Accrued Pension | - | - | - | - | - | - | - | - | - |
| Due to Affiliates | 2,808,747 | 1,809,028 | 2,755,472 | 724,674 | 32,661 | 132,064 | - | 33,223 | 769,838 |
| Deferred Revenues | 151,629 | - | - | 12,666 | - | 31,922 | - | 33,107 | - |
| Security Deposits | 1,245,846 | - | - | - | - | - | - | - | - |
| Notes Payable | 413,696 | - | - | 6,428 | - | - | - | 64,195 | 3,705 |
| Total Liabilities | <u>18,789,820</u> | <u>1,893,087</u> | <u>2,756,298</u> | <u>771,373</u> | <u>73,000</u> | <u>202,897</u> | <u>-</u> | <u>201,710</u> | <u>890,620</u> |
| Net Assets (Deficit): | | | | | | | | | |
| Unrestricted | 14,684,157 | (1,618,005) | 106,281 | (528,750) | 642,617 | 494,208 | 5,370 | 868,272 | (651,623) |
| Temporarily Restricted | 413,540 | 10,502 | 936,626 | 10,773 | - | 53,549 | - | 98,969 | 69,449 |
| Permanently Restricted | 50,000 | - | 7,090 | - | - | - | - | - | - |
| Total Net Assets (Deficit) | <u>15,147,697</u> | <u>(1,607,503)</u> | <u>1,049,997</u> | <u>(517,977)</u> | <u>642,617</u> | <u>547,757</u> | <u>5,370</u> | <u>967,241</u> | <u>(582,174)</u> |
| | <u>\$ 33,937,517</u> | <u>\$ 285,584</u> | <u>\$ 3,806,295</u> | <u>\$ 253,396</u> | <u>\$ 715,617</u> | <u>\$ 750,654</u> | <u>\$ 5,370</u> | <u>\$ 1,168,951</u> | <u>\$ 308,446</u> |

See Independent Auditors' Report on Supplemental Information

AMikids, Inc. and Affiliates
Combining Schedule - Statement of Financial Position Information
June 30, 2014

Schedule I

| | AMikids Bennettsville | AMikids Sand Hills | AMikids White Pines | AMikids Donaldsonville | AMikids Crossroads | AMikids Miami Dade | AMikids Emerald Coast | AMikids Pensacola | AMikids Last Chance Ranch |
|---|--------------------------|-----------------------|------------------------|---------------------------|-----------------------|-----------------------|--------------------------|----------------------|------------------------------|
| Assets | | | | | | | | | |
| Cash and Cash Equivalents | \$ 31,581 | \$ 34,865 | \$ 53,273 | \$ - | \$ 48,215 | \$ 127,483 | \$ 21,086 | \$ 105,707 | \$ - |
| Investments | - | - | - | - | 46,164 | - | - | - | - |
| Accounts Receivable: | | | | | | | | | |
| Funding Agencies | 6,266 | 6,038 | 6,582 | - | 184,295 | 60,110 | - | 13,258 | - |
| Other, net | 7,719 | 7,872 | 9,381 | - | 9,681 | 8,879 | 6,208 | 7,061 | - |
| Prepaid Expenses and Other Assets | 37,842 | 40,224 | 32,825 | - | 43,023 | 64,253 | 33,829 | 64,294 | - |
| Due from Affiliates | 107,533 | 109,906 | 106,350 | - | 12,870 | 179,381 | 29,538 | 200,930 | - |
| Assets Held for Sale | - | - | - | - | - | - | - | - | - |
| Boat Inventory | - | - | - | - | - | - | - | - | - |
| Boats under Lease | - | - | - | - | - | - | - | - | - |
| Property and Equipment, Net | 39,968 | 31,203 | 8,955 | - | 256,275 | 280,942 | 7,629 | 349,595 | 4,900 |
| | <u>\$ 230,909</u> | <u>\$ 230,108</u> | <u>\$ 217,366</u> | <u>\$ -</u> | <u>\$ 600,523</u> | <u>\$ 721,048</u> | <u>\$ 98,290</u> | <u>\$ 740,845</u> | <u>\$ 4,900</u> |
| Liabilities and Net Assets (Deficit) | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Lines of Credit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts Payable | 35,371 | 30,840 | 26,594 | - | 29,576 | 51,078 | 9,435 | 56,757 | - |
| Accrued Expenses | 40,949 | 45,744 | 41,655 | - | 34,967 | 74,962 | 14,197 | 125,195 | - |
| Accrued Pension | - | - | - | - | - | - | - | - | - |
| Due to Affiliates | 1,004,874 | 337,276 | 319,193 | - | 247,047 | 101,307 | 231,152 | 84,173 | - |
| Deferred Revenues | 20,798 | 1,993 | 2,039 | - | 39,034 | 38,883 | - | 16,834 | - |
| Security Deposits | - | - | - | - | - | - | - | - | - |
| Notes Payable | - | 7,895 | - | - | 1,210 | 9,604 | 2,487 | 100,000 | - |
| Total Liabilities | <u>1,101,992</u> | <u>423,748</u> | <u>389,481</u> | <u>-</u> | <u>351,834</u> | <u>275,834</u> | <u>257,271</u> | <u>382,959</u> | <u>-</u> |
| Net Assets (Deficit): | | | | | | | | | |
| Unrestricted | (871,083) | (196,640) | (172,115) | - | 234,604 | 337,748 | (214,133) | 331,584 | (3,224) |
| Temporarily Restricted | - | 3,000 | - | - | 14,085 | 107,466 | 55,152 | 26,302 | 8,124 |
| Permanently Restricted | - | - | - | - | - | - | - | - | - |
| Total Net Assets (Deficit) | <u>(871,083)</u> | <u>(193,640)</u> | <u>(172,115)</u> | <u>-</u> | <u>248,689</u> | <u>445,214</u> | <u>(158,981)</u> | <u>357,886</u> | <u>4,900</u> |
| | <u>\$ 230,909</u> | <u>\$ 230,108</u> | <u>\$ 217,366</u> | <u>\$ -</u> | <u>\$ 600,523</u> | <u>\$ 721,048</u> | <u>\$ 98,290</u> | <u>\$ 740,845</u> | <u>\$ 4,900</u> |

See Independent Auditors' Report on Supplemental Information

AMikids, Inc. and Affiliates
Combining Schedule - Statement of Financial Position Information
June 30, 2014

Schedule I

| | AMikids Greater Ft. Lauderdale | AMikids Georgia | AMikids Georgetown | AMikids Manatee County | AMikids Sarasota County | AMikids Infinity Schools, Inc. | AMikids Georgia Properties | AMikids Infinity Wake County | AMikids New Mexico Properties |
|---|--------------------------------------|--------------------|-----------------------|---------------------------|-------------------------------|--------------------------------------|----------------------------------|------------------------------------|-------------------------------------|
| Assets | | | | | | | | | |
| Cash and Cash Equivalents | \$ 33,679 | \$ - | \$ 98,678 | \$ - | \$ - | \$ - | \$ - | \$ 29,216 | \$ - |
| Investments | - | - | - | - | - | - | - | - | - |
| Accounts Receivable: | | | | | | | | | |
| Funding Agencies | 3,021 | - | 5,747 | - | - | - | - | - | - |
| Other, net | 3,864 | - | 15,474 | - | - | - | - | - | - |
| Prepaid Expenses and Other Assets | 48,663 | - | 26,835 | - | - | - | - | 18,940 | - |
| Due from Affiliates | 54,529 | 236,813 | 451,328 | - | 144,741 | - | - | - | 756,000 |
| Assets Held for Sale | - | - | - | - | - | - | - | - | - |
| Boat Inventory | - | - | - | - | - | - | - | - | - |
| Boats under Lease | - | - | - | - | - | - | - | - | - |
| Property and Equipment, Net | 19,000 | - | 29,917 | - | 986 | - | 2,417,475 | 272 | - |
| | <u>\$ 162,756</u> | <u>\$ 236,813</u> | <u>\$ 627,979</u> | <u>\$ -</u> | <u>\$ 145,727</u> | <u>\$ -</u> | <u>\$ 2,417,475</u> | <u>\$ 48,428</u> | <u>\$ 756,000</u> |
| Liabilities and Net Assets (Deficit) | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Lines of Credit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts Payable | 28,098 | - | 36,891 | - | - | - | - | 3,246 | - |
| Accrued Expenses | 35,164 | 826 | 48,585 | - | 70,854 | - | 181 | 11,245 | 181 |
| Accrued Pension | - | - | - | - | - | - | - | - | - |
| Due to Affiliates | 85,332 | 602 | 33,049 | - | - | - | 100,526 | 27,536 | - |
| Deferred Revenues | 7,279 | - | 1,917 | - | - | - | - | - | - |
| Security Deposits | - | - | - | - | - | - | - | - | - |
| Notes Payable | 10,249 | - | 18,534 | - | - | - | - | - | - |
| Total Liabilities | <u>166,122</u> | <u>1,428</u> | <u>138,976</u> | <u>-</u> | <u>70,854</u> | <u>-</u> | <u>100,707</u> | <u>42,027</u> | <u>181</u> |
| Net Assets (Deficit): | | | | | | | | | |
| Unrestricted | (9,309) | 29,599 | 257,250 | - | 74,873 | - | 2,316,768 | (2,099) | 755,819 |
| Temporarily Restricted | 5,943 | 205,786 | 231,753 | - | - | - | - | 8,500 | - |
| Permanently Restricted | - | - | - | - | - | - | - | - | - |
| Total Net Assets (Deficit) | <u>(3,366)</u> | <u>235,385</u> | <u>489,003</u> | <u>-</u> | <u>74,873</u> | <u>-</u> | <u>2,316,768</u> | <u>6,401</u> | <u>755,819</u> |
| | <u>\$ 162,756</u> | <u>\$ 236,813</u> | <u>\$ 627,979</u> | <u>\$ -</u> | <u>\$ 145,727</u> | <u>\$ -</u> | <u>\$ 2,417,475</u> | <u>\$ 48,428</u> | <u>\$ 756,000</u> |

See Independent Auditors' Report on Supplemental Information

AMIkids, Inc. and Affiliates
Combining Schedule - Statement of Financial Position Information
June 30, 2014

Schedule I

| | AMIkids Infinity Marlboro | AMIkids Lafayette | AMIkids North Carolina Family Services | AMIkids Jacksonville | AMIkids Jefferson | AMIkids Middle Georgia | South Carolina Wilderness Institute | AMIkids Pasco | AMIkids Northeast Louisiana |
|---|---------------------------------|----------------------|--|-------------------------|----------------------|---------------------------|---|-------------------|-----------------------------------|
| Assets | | | | | | | | | |
| Cash and Cash Equivalents | \$ 6,727 | \$ 30,086 | \$ 28,476 | \$ 116,146 | \$ - | \$ - | \$ - | \$ 79,568 | \$ - |
| Investments | - | - | - | - | - | - | - | - | - |
| Accounts Receivable: | | | | | | | | | |
| Funding Agencies | - | - | - | 18,564 | - | - | - | 11,729 | - |
| Other, net | 534 | 1,828 | - | 7,184 | - | - | - | 3,666 | - |
| Prepaid Expenses and Other Assets | 19,503 | 14,592 | 64,686 | 53,421 | - | - | - | 20,248 | - |
| Due from Affiliates | 12,410 | - | 281,257 | 59,665 | - | - | - | 36,150 | - |
| Assets Held for Sale | - | - | - | - | - | - | - | 110,000 | 50,000 |
| Boat Inventory | - | - | - | - | - | - | - | - | - |
| Boats under Lease | - | - | - | - | - | - | - | - | - |
| Property and Equipment, Net | - | - | 22,797 | 1,044,108 | - | - | 297,502 | 1,381 | - |
| | <u>\$ 39,174</u> | <u>\$ 46,506</u> | <u>\$ 397,216</u> | <u>\$ 1,299,088</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 297,502</u> | <u>\$ 262,742</u> | <u>\$ 50,000</u> |
| Liabilities and Net Assets (Deficit) | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Lines of Credit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts Payable | 3,575 | 2,405 | 25,954 | 44,679 | - | - | - | 7,823 | - |
| Accrued Expenses | 9,653 | 4,491 | 28,840 | 32,140 | - | - | 186 | 11,477 | - |
| Accrued Pension | - | - | - | - | - | - | - | - | - |
| Due to Affiliates | 104,472 | 14,852 | 40,046 | 213,286 | - | - | 2,246 | 21,093 | 23,721 |
| Deferred Revenues | - | - | - | 37,029 | - | - | - | 16,844 | - |
| Security Deposits | - | - | - | - | - | - | - | - | - |
| Notes Payable | - | - | - | 601,244 | - | - | - | - | - |
| Total Liabilities | <u>117,700</u> | <u>21,748</u> | <u>94,840</u> | <u>928,378</u> | <u>-</u> | <u>-</u> | <u>2,432</u> | <u>57,237</u> | <u>23,721</u> |
| Net Assets (Deficit): | | | | | | | | | |
| Unrestricted | (87,369) | 24,758 | 302,226 | 240,272 | - | - | 295,070 | 132,827 | 26,279 |
| Temporarily Restricted | 8,843 | - | 150 | 130,438 | - | - | - | 72,678 | - |
| Permanently Restricted | - | - | - | - | - | - | - | - | - |
| Total Net Assets (Deficit) | <u>(78,526)</u> | <u>24,758</u> | <u>302,376</u> | <u>370,710</u> | <u>-</u> | <u>-</u> | <u>295,070</u> | <u>205,505</u> | <u>26,279</u> |
| | <u>\$ 39,174</u> | <u>\$ 46,506</u> | <u>\$ 397,216</u> | <u>\$ 1,299,088</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 297,502</u> | <u>\$ 262,742</u> | <u>\$ 50,000</u> |

See Independent Auditors' Report on Supplemental Information

AMikids, Inc. and Affiliates
Combining Schedule - Statement of Financial Position Information
June 30, 2014

Schedule I

| | AMikids Orlando | AMISC Statewide | AMikids Panama City Marine Institute | AMikids Piedmont | AMikids Pinellas | AMikids Peninsula | AMikids Red River | AMikids Rio Grande Valley | AMikids Sandoval |
|---|--------------------|--------------------|--|---------------------|---------------------|----------------------|----------------------|---------------------------------|---------------------|
| Assets | | | | | | | | | |
| Cash and Cash Equivalents | \$ 99,709 | \$ - | \$ 125,642 | \$ 123,357 | \$ 84,068 | \$ - | \$ - | \$ 35,083 | \$ 41,562 |
| Investments | - | - | - | - | - | - | - | - | - |
| Accounts Receivable: | | | | | | | | | |
| Funding Agencies | 16,914 | - | 9,400 | 5,071 | 31,250 | - | - | 15,438 | - |
| Other, net | 5,100 | - | 7,490 | 6,630 | 5,278 | - | - | 4,466 | 8,640 |
| Prepaid Expenses and Other Assets | 31,946 | - | 91,081 | 28,419 | 30,152 | - | 2,454 | 24,006 | 156,023 |
| Due from Affiliates | 41,988 | 4,810 | 50,733 | 99,719 | 31,543 | 81,724 | - | 54,433 | 191,185 |
| Assets Held for Sale | - | - | 140,000 | - | - | - | 355,090 | - | - |
| Boat Inventory | - | - | - | - | - | - | - | - | - |
| Boats under Lease | - | - | - | - | - | - | - | - | - |
| Property and Equipment, Net | 55,514 | - | 415,770 | 124,664 | 90,278 | - | - | 31,209 | 228,135 |
| | <u>\$ 251,171</u> | <u>\$ 4,810</u> | <u>\$ 840,116</u> | <u>\$ 387,860</u> | <u>\$ 272,569</u> | <u>\$ 81,724</u> | <u>\$ 357,544</u> | <u>\$ 164,635</u> | <u>\$ 625,545</u> |
| Liabilities and Net Assets (Deficit) | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Lines of Credit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts Payable | 15,887 | - | 54,509 | 15,906 | 19,141 | - | - | 18,138 | 30,168 |
| Accrued Expenses | 24,314 | - | 29,952 | 32,170 | 20,566 | 81,724 | 16,470 | 30,638 | 51,909 |
| Accrued Pension | - | - | - | - | - | - | - | - | - |
| Due to Affiliates | 313,972 | 450 | 39,706 | 28,168 | 24,231 | - | 615,032 | 1,487,628 | 800,619 |
| Deferred Revenues | - | - | 13,970 | 34,122 | 14,042 | - | - | 21,487 | - |
| Security Deposits | - | - | - | - | - | - | - | - | - |
| Notes Payable | 50,135 | - | 572,466 | 42,458 | - | - | - | - | - |
| Total Liabilities | <u>404,308</u> | <u>450</u> | <u>710,603</u> | <u>152,824</u> | <u>77,980</u> | <u>81,724</u> | <u>631,502</u> | <u>1,557,891</u> | <u>882,696</u> |
| Net Assets (Deficit): | | | | | | | | | |
| Unrestricted | (240,412) | 2,710 | 99,222 | 227,447 | 166,789 | - | (279,730) | (1,426,267) | (262,153) |
| Temporarily Restricted | 87,275 | 1,650 | 30,291 | 7,589 | 27,800 | - | 5,772 | 33,011 | 5,002 |
| Permanently Restricted | - | - | - | - | - | - | - | - | - |
| Total Net Assets (Deficit) | <u>(153,137)</u> | <u>4,360</u> | <u>129,513</u> | <u>235,036</u> | <u>194,589</u> | <u>-</u> | <u>(273,958)</u> | <u>(1,393,256)</u> | <u>(257,151)</u> |
| | <u>\$ 251,171</u> | <u>\$ 4,810</u> | <u>\$ 840,116</u> | <u>\$ 387,860</u> | <u>\$ 272,569</u> | <u>\$ 81,724</u> | <u>\$ 357,544</u> | <u>\$ 164,635</u> | <u>\$ 625,545</u> |

AMikids, Inc. and Affiliates
Combining Schedule - Statement of Financial Position Information
June 30, 2014

Schedule I

| | AMikids Savannah River | AMikids Louisiana Properties | AMikids Southwest Florida | AMikids Southwest Louisiana | AMikids Space Coast | AMikids Tallahassee | AMikids Tampa | AMikids Volusia | AMikids Virginia Wilderness |
|---|---------------------------|------------------------------------|---------------------------------|-----------------------------------|------------------------|------------------------|-------------------|-------------------|-----------------------------------|
| Assets | | | | | | | | | |
| Cash and Cash Equivalents | \$ 8,593 | \$ - | \$ 252,909 | \$ - | \$ 340,063 | \$ 20,015 | \$ 37,585 | \$ 16,709 | \$ 83,610 |
| Investments | - | - | - | - | - | - | - | - | - |
| Accounts Receivable: | | | | | | | | | |
| Funding Agencies | - | - | 11,466 | - | 13,391 | 22,500 | 103,715 | 5,220 | 417,307 |
| Other, net | - | - | 4,685 | - | 3,488 | 5,747 | 17,995 | 2,609 | 10,342 |
| Prepaid Expenses and Other Assets | 29,962 | 4,202 | 35,499 | - | 36,120 | 25,685 | 30,386 | 49,226 | 32,900 |
| Due from Affiliates | - | 464,259 | 56,156 | - | 124,977 | 51,113 | 39,436 | 50,082 | - |
| Assets Held for Sale | - | 350,000 | - | - | - | - | - | - | - |
| Boat Inventory | - | - | - | - | - | - | - | - | - |
| Boats under Lease | - | - | - | - | - | - | - | - | - |
| Property and Equipment, Net | 106,792 | 1,530,240 | 139,589 | 4,156 | 697,674 | 139,566 | 379,529 | 2,531 | 378,131 |
| | <u>\$ 145,347</u> | <u>\$ 2,348,701</u> | <u>\$ 500,304</u> | <u>\$ 4,156</u> | <u>\$ 1,215,713</u> | <u>\$ 264,626</u> | <u>\$ 608,646</u> | <u>\$ 126,377</u> | <u>\$ 922,290</u> |
| Liabilities and Net Assets (Deficit) | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Lines of Credit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts Payable | 2,415 | - | 29,980 | - | 58,427 | 12,905 | 13,879 | 47,922 | 35,949 |
| Accrued Expenses | 14,935 | 181 | 31,737 | - | 72,560 | 25,085 | 19,382 | 13,031 | 68,620 |
| Accrued Pension | - | - | - | - | - | - | - | - | - |
| Due to Affiliates | 570,318 | 1,085,685 | 40,518 | - | 45,831 | 63,362 | 398,219 | 153,225 | 120,749 |
| Deferred Revenues | - | - | - | - | 16,944 | 47,065 | 19,285 | - | 20,405 |
| Security Deposits | - | - | - | - | - | - | - | - | - |
| Notes Payable | 1,178 | - | 8,969 | - | - | - | 2,342 | - | - |
| Total Liabilities | <u>588,846</u> | <u>1,085,866</u> | <u>111,204</u> | <u>-</u> | <u>193,762</u> | <u>148,417</u> | <u>453,107</u> | <u>214,178</u> | <u>245,723</u> |
| Net Assets (Deficit): | | | | | | | | | |
| Unrestricted | (521,013) | 1,262,835 | 374,293 | 4,156 | 945,273 | 111,374 | 85,538 | (91,801) | 676,567 |
| Temporarily Restricted | 77,514 | - | 14,807 | - | 76,678 | 4,835 | 70,001 | 4,000 | - |
| Permanently Restricted | - | - | - | - | - | - | - | - | - |
| Total Net Assets (Deficit) | <u>(443,499)</u> | <u>1,262,835</u> | <u>389,100</u> | <u>4,156</u> | <u>1,021,951</u> | <u>116,209</u> | <u>155,539</u> | <u>(87,801)</u> | <u>676,567</u> |
| | <u>\$ 145,347</u> | <u>\$ 2,348,701</u> | <u>\$ 500,304</u> | <u>\$ 4,156</u> | <u>\$ 1,215,713</u> | <u>\$ 264,626</u> | <u>\$ 608,646</u> | <u>\$ 126,377</u> | <u>\$ 922,290</u> |

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AMikids, Inc. and Affiliates
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Schedule I

| | AMikids West Florida | AMikids WINGS South Florida | AMikids WINGS Texas | AMikids Y.E.S | Total | Eliminations | Total |
|---|-------------------------|-----------------------------------|------------------------|---------------------|----------------------|------------------------|----------------------|
| Assets | | | | | | | |
| Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ 212,691 | \$ 7,859,405 | \$ - | \$ 7,859,405 |
| Investments | - | - | - | 489,400 | 8,781,254 | - | 8,781,254 |
| Accounts Receivable: | | | | | | | |
| Funding Agencies | - | - | - | 17,005 | 3,408,982 | - | 3,408,982 |
| Other, net | - | - | - | 5,231 | 386,490 | - | 386,490 |
| Prepaid Expenses and Other Assets | - | - | 125 | 29,634 | 2,080,241 | (550,000) | 1,530,241 |
| Due from Affiliates | - | - | - | 276,356 | 18,187,040 | (18,187,040) | - |
| Assets Held for Sale | - | - | 310,000 | - | 1,684,391 | - | 1,684,391 |
| Boat Inventory | - | - | - | - | 2,923,450 | - | 2,923,450 |
| Boats under Lease | - | - | - | - | 4,502,947 | - | 4,502,947 |
| Property and Equipment, Net | - | - | - | 42,662 | 11,554,264 | - | 11,554,264 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 310,125</u> | <u>\$ 1,072,979</u> | <u>\$ 61,368,464</u> | <u>\$ (18,737,040)</u> | <u>\$ 42,631,424</u> |
| Liabilities and Net Assets (Deficit) | | | | | | | |
| Liabilities: | | | | | | | |
| Lines of Credit | \$ - | \$ - | \$ - | \$ - | \$ 1,000,000 | - | \$ 1,000,000 |
| Accounts Payable | - | - | - | 38,926 | 1,750,755 | 55 | 1,750,810 |
| Accrued Expenses | - | - | - | 123,483 | 13,873,872 | (5,531,370) | 8,342,502 |
| Accrued Pension | - | - | - | - | - | 2,874,630 | 2,874,630 |
| Due to Affiliates | - | - | 310,000 | 31,891 | 18,187,094 | (18,187,094) | - |
| Deferred Revenues | - | - | - | 15,750 | 615,044 | - | 615,044 |
| Security Deposits | - | - | - | - | 1,245,846 | - | 1,245,846 |
| Notes Payable | - | - | - | 11,563 | 1,928,358 | - | 1,928,358 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>310,000</u> | <u>221,613</u> | <u>38,600,969</u> | <u>(20,843,779)</u> | <u>17,757,190</u> |
| Net Assets (Deficit): | | | | | | | |
| Unrestricted | - | - | 125 | 780,070 | 19,721,256 | 2,395,500 | 22,116,756 |
| Temporarily Restricted | - | - | - | 71,296 | 2,989,149 | (288,761) | 2,700,388 |
| Permanently Restricted | - | - | - | - | 57,090 | - | 57,090 |
| Total Net Assets (Deficit) | <u>-</u> | <u>-</u> | <u>125</u> | <u>851,366</u> | <u>22,767,495</u> | <u>2,106,739</u> | <u>24,874,234</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 310,125</u> | <u>\$ 1,072,979</u> | <u>\$ 61,368,464</u> | <u>\$ (18,737,040)</u> | <u>\$ 42,631,424</u> |

See Independent Auditors' Report on Supplemental Information

AMikids, Inc. and Affiliates
Combining Schedule - Statement of Activities Information
Year Ended June 30, 2014

Schedule II

| | AMikids | AMikids Acadiana | AMikids Foundation | AMikids Gainesville | AMikids Family Services | AMikids Baton Rouge | AMikids Baxley Wilderness | AMikids Beaufort | AMikids Big Cypress |
|---|----------------------|-----------------------|-----------------------|------------------------|----------------------------|------------------------|------------------------------|---------------------|------------------------|
| Public Support and revenue: | | | | | | | | | |
| State support: | | | | | | | | | |
| Florida | \$ 1,674,427 | \$ - | \$ - | \$ 373,499 | \$ 1,073,105 | \$ - | \$ - | \$ - | \$ 1,383,156 |
| South Carolina | 1,230,160 | - | - | - | - | - | - | 1,082,772 | - |
| Louisiana | 195,164 | 1,332,447 | - | - | - | - | - | - | - |
| Georgia | - | - | - | - | - | - | - | - | - |
| Texas | 109,349 | - | - | - | - | - | - | - | - |
| North Carolina | 225,000 | - | - | - | - | - | - | - | - |
| Federal Support | 509,369 | 71,807 | - | 67,162 | - | 64,135 | 12,280 | 86,842 | 144,723 |
| Regional Funds | - | 163,090 | - | 250,038 | - | 768,332 | - | 26,500 | 220,533 |
| Contributions | 1,648,643 | 76,038 | 402,009 | 101,440 | 216 | 155,400 | - | 255,541 | 150,886 |
| Total Public Support | 5,592,112 | 1,643,382 | 402,009 | 792,139 | 1,073,321 | 987,867 | 12,280 | 1,451,655 | 1,899,298 |
| Revenue | | | | | | | | | |
| Boat Program | 7,184,521 | - | - | - | - | - | - | - | - |
| Investment income | 465,469 | 2 | 33,851 | 6 | 10,635 | 88 | - | 1,543 | 8 |
| Other | 1,447,816 | 2,268 | - | 600 | - | 7,373 | - | 159,885 | 3,090 |
| Total revenue | 9,097,806 | 2,270 | 33,851 | 606 | 10,635 | 7,461 | - | 161,428 | 3,098 |
| Total public support and revenues | 14,689,918 | 1,645,652 | 435,860 | 792,745 | 1,083,956 | 995,328 | 12,280 | 1,613,083 | 1,902,396 |
| Expenses | | | | | | | | | |
| Program Services | 2,870,291 | 1,805,487 | - | 885,740 | 954,406 | 743,153 | (502) | 1,485,439 | 2,084,049 |
| Management and general | 3,962,203 | 28,137 | - | 36,509 | 18,287 | 116,149 | 27,537 | 26,134 | 51,840 |
| Fundraising | 234,360 | - | 338,053 | - | - | - | - | - | - |
| Boat Program | 5,562,725 | - | - | - | - | - | - | - | - |
| Total expenses | 12,629,579 | 1,833,624 | 338,053 | 922,249 | 972,693 | 859,302 | 27,035 | 1,511,573 | 2,135,889 |
| Change in net assets | 2,060,339 | (187,972) | 97,807 | (129,504) | 111,263 | 136,026 | (14,755) | 101,510 | (233,493) |
| Net assets, beginning of year (as restated - Note 14) | 13,087,359 | (1,419,531) | 952,190 | (388,473) | 531,354 | 411,731 | 20,125 | 865,731 | (348,681) |
| Net assets (deficit), end of the year | \$ 15,147,698 | \$ (1,607,503) | \$ 1,049,997 | \$ (517,977) | \$ 642,617 | \$ 547,757 | \$ 5,370 | \$ 967,241 | \$ (582,174) |

See Independent Auditors' Report on Supplemental Information

AMikids, Inc. and Affiliates
Combining Schedule - Statement of Activities Information
Year Ended June 30, 2014

Schedule II

| | AMikids Bennettsville | AMikids Sand Hills | AMikids White Pines | AMikids Donaldsonville | AMikids Crossroads | AMikids Miami Dade | AMikids Emerald Coast | AMikids Pensacola | AMikids Last Chance Ranch |
|---|--------------------------|-----------------------|------------------------|---------------------------|-----------------------|-----------------------|--------------------------|----------------------|------------------------------|
| Public Support and revenue: | | | | | | | | | |
| State support: | | | | | | | | | |
| Florida | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,294,256 | \$ 313,526 | \$ 2,309,310 | \$ - |
| South Carolina | 1,277,161 | 1,289,469 | 1,271,712 | - | - | - | - | - | - |
| Louisiana | - | - | - | - | - | - | - | - | - |
| Georgia | - | - | - | - | - | - | - | - | - |
| Texas | - | - | - | - | - | - | - | - | - |
| North Carolina | - | - | - | - | - | - | - | - | - |
| Federal Support | 102,875 | 97,790 | 104,210 | - | 228,923 | 135,034 | 31,133 | 41,920 | - |
| Regional Funds | - | 1,154 | - | - | 999,032 | 886,490 | 200,030 | 178,215 | - |
| Contributions | 88,209 | 158,615 | 76,172 | - | 134,020 | 207,251 | 83,012 | 64,066 | - |
| Total Public Support | 1,468,245 | 1,547,028 | 1,452,094 | - | 1,361,975 | 2,523,031 | 627,701 | 2,593,511 | - |
| Revenue | | | | | | | | | |
| Boat Program | - | - | - | - | - | - | - | - | - |
| Investment income | - | 1 | 4 | - | 7,343 | 41 | 5 | 2,414 | 1 |
| Other | 831 | - | 11,577 | - | 11,970 | 52,061 | 5,229 | 59 | 5,144 |
| Total revenue | 831 | 1 | 11,581 | - | 19,313 | 52,102 | 5,234 | 2,473 | 5,145 |
| Total public support and revenues | 1,469,076 | 1,547,029 | 1,463,675 | - | 1,381,288 | 2,575,133 | 632,935 | 2,595,984 | 5,145 |
| Expenses | | | | | | | | | |
| Program Services | 1,633,803 | 1,623,173 | 1,444,044 | - | 1,362,103 | 2,376,315 | 656,232 | 2,530,797 | (880) |
| Management and general | 30,332 | 24,023 | 17,456 | 87 | 177,199 | 60,133 | 35,895 | 74,747 | 9,159 |
| Fundraising | - | - | - | - | - | - | - | - | - |
| Boat Program | - | - | - | - | - | - | - | - | - |
| Total expenses | 1,664,135 | 1,647,196 | 1,461,500 | 87 | 1,539,302 | 2,436,448 | 692,127 | 2,605,544 | 8,279 |
| Change in net assets | (195,059) | (100,167) | 2,175 | (87) | (158,014) | 138,685 | (59,192) | (9,560) | (3,134) |
| Net assets, beginning of year (as restated - Note 14) | (676,024) | (93,473) | (174,290) | 87 | 406,703 | 306,529 | (99,789) | 367,446 | 8,034 |
| Net assets (deficit), end of the year | \$ (871,083) | \$ (193,640) | \$ (172,115) | \$ - | \$ 248,689 | \$ 445,214 | \$ (158,981) | \$ 357,886 | \$ 4,900 |

See Independent Auditors' Report on Supplemental Information

AMIKids, Inc. and Affiliates
Combining Schedule - Statement of Activities Information
Year Ended June 30, 2014

Schedule II

| | AMIKids Greater Ft. Lauderdale | AMIKids Georgia | AMIKids Georgetown | AMIKids Manatee County | AMIKids Sarasota County | AMIKids Infinity Schools, Inc. | AMIKids Georgia Properties | AMIKids Infinity Wake County | AMIKids New Mexico Properties |
|---|--------------------------------------|--------------------|-----------------------|---------------------------|-------------------------------|--------------------------------------|----------------------------------|------------------------------------|-------------------------------------|
| Public Support and revenue: | | | | | | | | | |
| State support: | | | | | | | | | |
| Florida | \$ 565,692 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| South Carolina | - | - | 1,147,176 | - | - | - | - | - | - |
| Louisiana | - | - | - | - | - | - | - | - | - |
| Georgia | - | - | - | - | - | - | - | - | - |
| Texas | - | - | - | - | - | - | - | - | - |
| North Carolina | - | - | - | - | - | - | - | - | - |
| Federal Support | 66,534 | - | 87,749 | - | - | - | - | - | - |
| Regional Funds | 274,828 | - | 6,678 | - | - | 152,108 | - | 427,860 | - |
| Contributions | 60,053 | 750 | 105,835 | - | - | 11,933 | - | 9,466 | - |
| Total Public Support | 967,107 | 750 | 1,347,438 | - | - | 164,041 | - | 437,326 | - |
| Revenue | | | | | | | | | |
| Boat Program | - | - | - | - | - | - | - | - | - |
| Investment income | 176 | (6) | 57 | - | 760 | 2 | - | - | 20,264 |
| Other | 7,878 | - | 28,436 | 47,640 | - | 58,456 | - | - | - |
| Total revenue | 8,054 | (6) | 28,493 | 47,640 | 760 | 58,458 | - | - | 20,264 |
| Total public support and revenues | 975,161 | 744 | 1,375,931 | 47,640 | 760 | 222,499 | - | 437,326 | 20,264 |
| Expenses | | | | | | | | | |
| Program Services | 1,149,021 | - | 1,366,302 | 11,702 | (31,364) | 210,234 | 247,072 | 368,257 | 19,839 |
| Management and general | 34,137 | - | 25,141 | 24,170 | 19,254 | 32,419 | 977 | 67,006 | 328 |
| Fundraising | - | 1,214 | - | - | - | - | - | - | - |
| Boat Program | - | - | - | - | - | - | - | - | - |
| Total expenses | 1,183,158 | 1,214 | 1,391,443 | 35,872 | (12,110) | 242,653 | 248,049 | 435,263 | 20,167 |
| Change in net assets | (207,997) | (470) | (15,512) | 11,768 | 12,870 | (20,154) | (248,049) | 2,063 | 97 |
| Net assets, beginning of year (as restated - Note 14) | 204,631 | 235,855 | 504,515 | (11,768) | 62,003 | 20,154 | 2,564,817 | 4,338 | 755,722 |
| Net assets (deficit), end of the year | \$ (3,366) | \$ 235,385 | \$ 489,003 | \$ - | \$ 74,873 | \$ - | \$ 2,316,768 | \$ 6,401 | \$ 755,819 |

See Independent Auditors' Report on Supplemental Information

AMikids, Inc. and Affiliates
Combining Schedule - Statement of Activities Information
Year Ended June 30, 2014

Schedule II

| | AMikids Infinity Marlboro | AMikids Lafayette | AMikids North Carolina Family Services | AMikids Jacksonville | AMikids Jefferson | AMikids Middle Georgia | South Carolina Wilderness Institute | AMikids Pasco | AMikids Northeast Louisiana |
|---|---------------------------------|----------------------|--|-------------------------|----------------------|---------------------------|---|-------------------|-----------------------------------|
| Public Support and revenue: | | | | | | | | | |
| State support: | | | | | | | | | |
| Florida | \$ - | \$ - | \$ - | \$ 502,392 | \$ - | \$ - | \$ - | \$ - | \$ - |
| South Carolina | - | - | - | - | - | - | - | - | - |
| Louisiana | - | - | - | - | - | - | - | - | - |
| Georgia | - | - | - | - | - | - | - | - | - |
| Texas | - | - | - | - | - | - | - | - | - |
| North Carolina | - | - | 1,275,000 | - | - | - | - | - | - |
| Federal Support | - | - | - | 31,407 | 153 | 1,361 | - | 22,154 | - |
| Regional Funds | 400,000 | 368,004 | - | 251,537 | - | - | - | 148,616 | - |
| Contributions | 9,178 | - | 5,640 | 208,076 | 550 | 700 | - | 386,149 | - |
| Total Public Support | 409,178 | 368,004 | 1,280,640 | 993,412 | 703 | 2,061 | - | 556,919 | - |
| Revenue | | | | | | | | | |
| Boat Program | - | - | - | - | - | - | - | - | - |
| Investment income | 2 | - | - | 93 | - | - | - | 4 | - |
| Other | 7,483 | 1,252 | - | 11,272 | 49,756 | 55,929 | - | 625 | - |
| Total revenue | 7,485 | 1,252 | - | 11,365 | 49,756 | 55,929 | - | 629 | - |
| Total public support and revenues | 416,663 | 369,256 | 1,280,640 | 1,004,777 | 50,459 | 57,990 | - | 557,548 | - |
| Expenses | | | | | | | | | |
| Program Services | 402,502 | 317,196 | 1,325,234 | 1,048,574 | 81,480 | (7,852) | - | 509,813 | (35,010) |
| Management and general | 63,686 | 53,257 | 10,304 | 42,884 | 10,709 | 233,199 | 313 | 88,105 | 53,762 |
| Fundraising | - | - | - | - | - | - | - | - | - |
| Boat Program | - | - | - | - | - | - | - | - | - |
| Total expenses | 466,188 | 370,453 | 1,335,538 | 1,091,458 | 92,189 | 225,347 | 313 | 597,918 | 18,752 |
| Change in net assets | (49,525) | (1,197) | (54,898) | (86,681) | (41,730) | (167,357) | (313) | (40,370) | (18,752) |
| Net assets, beginning of year (as restated - Note 14) | (29,001) | 25,955 | 357,274 | 457,391 | 41,730 | 167,357 | 295,383 | 245,875 | 45,031 |
| Net assets (deficit), end of the year | \$ (78,526) | \$ 24,758 | \$ 302,376 | \$ 370,710 | \$ - | \$ - | \$ 295,070 | \$ 205,505 | \$ 26,279 |

See Independent Auditors' Report on Supplemental Information

AMikids, Inc. and Affiliates
Combining Schedule - Statement of Activities Information
Year Ended June 30, 2014

Schedule II

| | AMIKids Orlando | AMI SC Statewide | AMIKids Panama City Marine Institute | AMIKids Piedmont | AMIKids Pinellas | AMIKids Peninsula | AMIKids Red River | AMIKids Rio Grande Valley | AMIKids Sandoval |
|---|---------------------|---------------------|--|---------------------|---------------------|----------------------|----------------------|---------------------------------|---------------------|
| Public Support and revenue: | | | | | | | | | |
| State support: | | | | | | | | | |
| Florida | \$ 328,514 | \$ - | \$ 551,227 | \$ - | \$ 290,439 | \$ - | \$ - | \$ - | \$ - |
| South Carolina | - | - | - | 1,147,176 | - | - | - | - | - |
| Louisiana | - | - | - | - | - | - | - | - | - |
| Georgia | - | - | - | - | - | - | - | - | - |
| Texas | - | - | - | - | - | - | - | 619,643 | - |
| North Carolina | - | - | - | - | - | - | - | - | - |
| Federal Support | 31,907 | - | 79,805 | 84,713 | 49,602 | - | (8,602) | 65,299 | 2,392,761 |
| Regional Funds | 255,300 | - | 607,819 | 6,000 | 375,000 | - | (1,217) | 210,530 | - |
| Contributions | 68,116 | 4,810 | 224,909 | 35,535 | 79,379 | - | 710 | 24,007 | 16,663 |
| Total Public Support | 683,837 | 4,810 | 1,463,760 | 1,273,424 | 794,420 | - | (9,109) | 919,479 | 2,409,424 |
| Revenue | | | | | | | | | |
| Boat Program | - | - | - | - | - | - | - | - | - |
| Investment income | 36 | - | 6 | 4 | 1 | - | 21 | 2 | 2 |
| Other | 10,747 | - | 67,226 | 14,100 | 37,571 | 17,050 | 4 | 8,640 | 87 |
| Total revenue | 10,783 | - | 67,232 | 14,104 | 37,572 | 17,050 | 25 | 8,642 | 89 |
| Total public support and revenues | 694,620 | 4,810 | 1,530,992 | 1,287,528 | 831,992 | 17,050 | (9,084) | 928,121 | 2,409,513 |
| Expenses | | | | | | | | | |
| Program Services | 821,014 | - | 1,406,959 | 1,204,090 | 724,782 | - | 65,878 | 926,771 | 2,371,170 |
| Management and general | 36,460 | - | 40,469 | 17,435 | 27,199 | 16,884 | 8,907 | 50,842 | 37,376 |
| Fundraising | - | 450 | - | - | - | - | - | - | - |
| Boat Program | - | - | - | - | - | - | - | - | - |
| Total expenses | 857,474 | 450 | 1,447,428 | 1,221,525 | 751,981 | 16,884 | 74,785 | 977,613 | 2,408,546 |
| Change in net assets | (162,854) | 4,360 | 83,564 | 66,003 | 80,011 | 166 | (83,869) | (49,492) | 967 |
| Net assets, beginning of year (as restated - Note 14) | 9,717 | - | 45,949 | 169,033 | 114,578 | (166) | (190,089) | (1,343,764) | (258,118) |
| Net assets (deficit), end of the year | \$ (153,137) | \$ 4,360 | \$ 129,513 | \$ 235,036 | \$ 194,589 | \$ - | \$ (273,958) | \$ (1,393,256) | \$ (257,151) |

See Independent Auditors' Report on Supplemental Information

AMIKids, Inc. and Affiliates
Combining Schedule - Statement of Activities Information
Year Ended June 30, 2014

Schedule II

| | AMIKids Savannah River | AMIKids Louisiana Properties | AMIKids Southwest Florida | AMIKids Southwest Louisiana | AMIKids Space Coast | AMIKids Tallahassee | AMIKids Tampa | AMIKids Volusia | AMIKids Virginia Wilderness |
|---|---------------------------|------------------------------------|---------------------------------|-----------------------------------|------------------------|------------------------|-------------------|--------------------|-----------------------------------|
| Public Support and revenue: | | | | | | | | | |
| State support: | | | | | | | | | |
| Florida | \$ - | \$ - | \$ 494,354 | \$ - | \$ 1,332,140 | \$ 502,108 | \$ 290,142 | \$ 523,543 | \$ - |
| South Carolina | - | - | - | - | - | - | - | - | - |
| Louisiana | - | - | - | - | - | - | - | - | - |
| Georgia | - | - | - | - | - | - | - | - | - |
| Texas | - | - | - | - | - | - | - | - | - |
| North Carolina | - | - | - | - | - | - | - | - | - |
| Federal Support | - | - | 26,661 | 11,232 | 96,734 | 45,928 | 45,234 | 25,088 | 517,767 |
| Regional Funds | - | - | 264,693 | - | 317,762 | 204,204 | 345,160 | 159,871 | 1,208,277 |
| Contributions | 247,252 | 91,014 | 123,821 | 2,706 | 64,947 | 51,322 | 167,273 | 27,328 | 17,982 |
| Total Public Support | 247,252 | 91,014 | 909,529 | 13,938 | 1,811,583 | 803,562 | 847,809 | 735,830 | 1,744,026 |
| Revenue | | | | | | | | | |
| Boat Program | - | - | - | - | - | - | - | - | - |
| Investment income | - | 11,971 | 21,695 | - | 88 | - | 2 | - | 2 |
| Other | 452 | 226,512 | 6,470 | 49,543 | 72,563 | 21,050 | 69,584 | 252 | 2,070 |
| Total revenue | 452 | 238,483 | 28,165 | 49,543 | 72,651 | 21,050 | 69,586 | 252 | 2,072 |
| Total public support and revenues | 247,704 | 329,497 | 937,694 | 63,481 | 1,884,234 | 824,612 | 917,395 | 736,082 | 1,746,098 |
| Expenses | | | | | | | | | |
| Program Services | 232,386 | 175,322 | 933,706 | 27,345 | 2,003,185 | 828,174 | 852,565 | 832,184 | 1,545,700 |
| Management and general | 6,126 | 55,741 | 32,534 | 6,576 | 41,551 | 45,112 | 35,245 | 32,543 | 265,256 |
| Fundraising | - | - | - | - | - | - | - | - | - |
| Boat Program | - | - | - | - | - | - | - | - | - |
| Total expenses | 238,512 | 231,063 | 966,240 | 33,921 | 2,044,736 | 873,286 | 887,810 | 864,727 | 1,810,956 |
| Change in net assets | 9,192 | 98,434 | (28,546) | 29,560 | (160,502) | (48,674) | 29,585 | (128,645) | (64,858) |
| Net assets, beginning of year (as restated - Note 14) | (452,691) | 1,164,401 | 417,646 | (25,404) | 1,182,453 | 164,883 | 125,954 | 40,844 | 741,425 |
| Net assets (deficit), end of the year | \$ (443,499) | \$ 1,262,835 | \$ 389,100 | \$ 4,156 | \$ 1,021,951 | \$ 116,209 | \$ 155,539 | \$ (87,801) | \$ 676,567 |

See Independent Auditors' Report on Supplemental Information

AMIKids, Inc. and Affiliates
Combining Schedule - Statement of Activities Information
Year Ended June 30, 2014

Schedule II

| | AMIKids West Florida | AMIKids WINGS South Florida | AMIKids WINGS Texas | AMIKids Y.E.S | Total | Eliminations | Total |
|---|-------------------------|-----------------------------------|------------------------|-------------------|----------------------|---------------------|----------------------|
| Public Support and revenue: | | | | | | | |
| State support: | | | | | | | |
| Florida | \$ - | \$ - | \$ - | \$ 1,168,228 | \$ 14,970,058 | \$ - | \$ 14,970,058 |
| South Carolina | - | - | - | - | 8,445,626 | - | 8,445,626 |
| Louisiana | - | - | - | - | 1,527,611 | - | 1,527,611 |
| Georgia | - | - | - | - | - | - | - |
| Texas | - | - | - | - | 728,992 | - | 728,992 |
| North Carolina | - | - | - | - | 1,500,000 | - | 1,500,000 |
| Federal Support | 14,088 | - | - | 153,658 | 5,539,436 | - | 5,539,436 |
| Regional Funds | 9,068 | - | - | 178,085 | 9,863,597 | - | 9,863,597 |
| Contributions | 13 | 4,950 | - | 57,196 | 5,709,781 | (1,597,980) | 4,111,801 |
| Total Public Support | 23,169 | 4,950 | - | 1,557,167 | 48,285,101 | (1,597,980) | 46,687,121 |
| Revenue | | | | | | | |
| Boat Program | - | - | - | - | 7,184,521 | - | 7,184,521 |
| Investment income | 1 | - | - | 108,358 | 684,952 | (286,314) | 398,638 |
| Other | 56,598 | - | 107,107 | 700 | 2,744,956 | (2,135,885) | 609,071 |
| Total revenue | 56,599 | - | 107,107 | 109,058 | 10,614,429 | (2,422,199) | 8,192,230 |
| Total public support and revenues | 79,768 | 4,950 | 107,107 | 1,666,225 | 58,899,530 | (4,020,179) | 54,879,351 |
| Expenses | | | | | | | |
| Program Services | 109,926 | 8,247 | - | 1,502,425 | 46,008,479 | (2,801,646) | 43,206,833 |
| Management and general | 25,642 | 26,197 | 49,696 | 38,775 | 6,352,044 | (1,352,471) | 4,999,573 |
| Fundraising | - | - | - | - | 574,077 | (291,730) | 282,347 |
| Boat Program | - | - | - | - | 5,562,725 | (83,703) | 5,479,022 |
| Total expenses | 135,568 | 34,444 | 49,696 | 1,541,200 | 58,497,325 | (4,529,550) | 53,967,775 |
| Change in net assets | (55,800) | (29,494) | 57,411 | 125,025 | 402,205 | 509,371 | 911,576 |
| Net assets, beginning of year (as restated - Note 14) | 55,800 | 29,494 | (57,286) | 726,341 | 22,365,290 | 1,597,368 | 23,962,658 |
| Net assets (deficit), end of the year | \$ - | \$ - | \$ 125 | \$ 851,366 | \$ 22,767,495 | \$ 2,106,739 | \$ 24,874,234 |

See Independent Auditors' Report on Supplemental Information

Public Support and Revenue Information

For the Year Ended June 30, 2014

| | State | School Districts | Federal Support | Other Local Grants | Contributions | Boat Program | Other | Combined Support & Revenue |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------------|
| Florida | \$ 14,970,058 | \$ 4,882,801 | \$ 1,435,191 | \$ 1,395,588 | \$ 4,327,008 | \$ 7,184,521 | \$ 2,484,412 | \$ 36,679,579 |
| Georgia | - | - | 13,642 | - | 248,702 | - | 56,376 | 318,720 |
| Illinois | - | - | - | - | - | - | - | - |
| Louisiana | 1,527,611 | 1,228,209 | 138,725 | 70,000 | 326,418 | - | 249,534 | 3,540,497 |
| New Mexico | - | - | 2,804,634 | - | 16,663 | - | 20,353 | 2,841,650 |
| North Carolina | 1,500,000 | 427,860 | - | - | 15,106 | - | - | 1,942,966 |
| South Carolina | 8,445,626 | 400,000 | 564,179 | 40,332 | 733,895 | - | 223,922 | 10,407,954 |
| Texas | 728,992 | - | 65,299 | 210,530 | 24,007 | - | 8,642 | 1,037,470 |
| Virginia | - | - | 517,767 | 1,208,277 | 17,982 | - | 7,734 | 1,751,760 |
| | <u>27,172,287</u> | <u>6,938,870</u> | <u>5,539,436</u> | <u>2,924,727</u> | <u>5,709,781</u> | <u>7,184,521</u> | <u>3,050,974</u> | <u>58,520,596</u> |
| Less Intercompany Revenue ¹ | - | - | - | - | (1,597,980) | - | (2,043,265) | (3,641,245) |
| Total Public Support & Revenue | <u>\$ 27,172,287</u> | <u>\$ 6,938,870</u> | <u>\$ 5,539,436</u> | <u>\$ 2,924,727</u> | <u>\$ 4,111,801</u> | <u>\$ 7,184,521</u> | <u>\$ 1,007,709</u> | <u>\$ 54,879,351</u> |

For the Year Ended June 30, 2013

| | State | School Districts | Federal Support | Other Local Grants | Contributions | Boat Program | Other | Combined Support & Revenue |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------------|
| Florida | \$ 15,258,444 | \$ 4,580,449 | \$ 2,383,321 | \$ 1,175,798 | \$ 4,067,292 | \$ 4,763,821 | \$ 3,500,877 | \$ 35,730,002 |
| Georgia | 1,298,359 | 245,699 | 36,874 | - | 109,737 | - | 50,804 | 1,741,473 |
| Illinois | - | - | (1,994) | - | 3,140 | - | 10,064 | 11,210 |
| Louisiana | 1,569,156 | 1,725,432 | 319,030 | 173,838 | 865,556 | - | 363,760 | 5,016,772 |
| New Mexico | - | - | 3,307,957 | - | 24,799 | - | 3,273 | 3,336,029 |
| North Carolina | 1,469,399 | 427,860 | - | - | 2,735 | - | 40 | 1,900,034 |
| South Carolina | 8,217,969 | 400,000 | 545,859 | 33,228 | 532,024 | - | 200,934 | 9,930,013 |
| Texas | 535,166 | - | 53,486 | 227,037 | 21,268 | - | 12,625 | 849,582 |
| Virginia | - | - | 564,483 | 1,433,813 | 25,669 | - | 121,187 | 2,145,152 |
| | <u>28,348,493</u> | <u>7,379,440</u> | <u>7,209,016</u> | <u>3,043,714</u> | <u>5,652,220</u> | <u>4,763,821</u> | <u>4,263,564</u> | <u>60,660,268</u> |
| Less Intercompany Revenue ² | - | - | - | - | (1,769,305) | - | (2,282,477) | (4,051,782) |
| Total Public Support & Revenue | <u>\$ 28,348,493</u> | <u>\$ 7,379,440</u> | <u>\$ 7,209,016</u> | <u>\$ 3,043,714</u> | <u>\$ 3,882,915</u> | <u>\$ 4,763,821</u> | <u>\$ 1,981,087</u> | <u>\$ 56,608,486</u> |

¹Excludes AMIkids Inc closure gains and affiliate debt forgiveness of \$0.3 million, which are eliminated within the Other category

²Excludes AMIkids Inc closure gains and affiliate debt forgiveness of \$0.9 million and \$8.7 million, respectively, which are eliminated within the Other category

See Independent Auditors' Report on Supplemental Information

**Reports Required by
Government Auditing Standards,
OMB Circular A-133,
the Florida Single Audit Act and the
State of Texas Single Audit Circular**

AMikids, Inc. and Affiliates
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2014

| <u>Federal Agency/ Program</u> | <u>CFDA Number</u> | <u>Pass-Through Entity Identifying Number/Contract Number</u> | <u>Expenditures</u> |
|---|------------------------|---|------------------------------|
| <u>U.S. Department of Agriculture (passed through Florida, South Carolina, Virginia, Louisiana and New Mexico Departments of Education and Texas Department of Agriculture):</u> | | | |
| School Breakfast Program | 10.553 | 01-0233 (Florida) | \$168,806 |
| School Breakfast Program | 10.553 | N/A (South Carolina) | 130,092 |
| School Breakfast Program | 10.553 | N/A (Virginia) | 15,260 |
| School Breakfast Program | 10.553 | 09-SFS-007 (Louisiana) | 19,072 |
| School Breakfast Program | 10.553 | 11008 (New Mexico) | 15,156 |
| School Breakfast Program | 10.553 | 01198 (Texas) | 13,835 |
| | | | <hr/> 362,221 <hr/> |
| National School Lunch Program | 10.555 | 01-0233 (Florida) | 381,732 |
| National School Lunch Program | 10.555 | N/A (South Carolina) | 262,543 |
| National School Lunch Program | 10.555 | N/A (Virginia) | 15,637 |
| National School Lunch Program | 10.555 | 09-SFS-007 (Louisiana) | 36,110 |
| National School Lunch Program | 10.555 | 11008 (New Mexico) | 28,635 |
| National School Lunch Program | 10.555 | 01198 (Texas) | 27,833 |
| | | | <hr/> 752,490 <hr/> |
| Total – U.S. Department of Agriculture | | | <hr/> 1,114,711 <hr/> |
| <u>U.S. Department of Education (passed through various county school boards as noted below)</u> | | | |
| Title I, Part A | 84.010 | None (Charlotte County) | 11,802 |
| Title I, Part A | 84.010 | 4401 (Okaloosa County) | 10,000 |
| Title I, Part D | 84.013 | None (Bay County) | 7,408 |
| Title I, Part D | 84.013 | None (Broward County) | 25,000 |
| Title I, Part D | 84.013 | None (Volusia County) | 5,220 |
| Title I, Part D | 84.013 | None (Leon County) | 7,650 |
| Title I, Part D | 84.013 | 2234A (Alachua County) | 11,811 |
| Title I, Carl D. Perkins Career and Technical Education Act of 2006 (Perkins IV) | 84.048 | 050-1614A-4CJJ1 (Brevard County) | 27,246 |
| | | | <hr/> 27,246 <hr/> |
| Total – U.S. Department of Education | | | <hr/> 106,137 <hr/> |
| <u>U.S. Department of Labor (passed through Florida Department of Economic Opportunity, passed through Southwest Florida Workforce Development Board, passed through Henkel and McCoy Southwest Florida Youth Connections)</u> | | | |
| WIA Vocational Education | 17.259 | None | 35,000 |
| | | | <hr/> 35,000 <hr/> |

The accompanying notes are an integral part of this schedule.

AMIkids, Inc. and Affiliates
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2014

| <u>Federal Agency/ Program</u> | <u>CFDA Number</u> | <u>Pass-Through Entity Identifying Number/Contract Number</u> | <u>Expenditures</u> |
|---|------------------------|---|---------------------|
| <u>U.S. Department of Justice/Federal Bureau of Prisons</u> | | | |
| Non-Secure Residential Male Juvenile Services/Mental Health Services | 16.DJB200028 | DJB200028 | 2,745,822 |
| Total Expenditures of Federal Awards | | | \$4,001,670 |
| | | | |
| <u>State Agency/State Project</u> | <u>CSFA Number</u> | <u>Contract #</u> | |
| <u>Florida Department of Juvenile Justice:</u> | | | |
| Delinquency Non-secure Residential Services | 80.016 | 10079, R2055, R2098, R2119 | \$6,422,694 |
| Day Treatment Services | 80.021 | P2106, P2107, P2118, P2119, P2121, X1701, X1705 | 8,547,364 |
| Total Florida Department of Juvenile Justice | | | 14,970,058 |
| | | | |
| <u>Florida Department of Highway Safety and Motor Vehicles:</u> | | | |
| Horse Country Specialty License Plate Program | 76.104 | None | 94,584 |
| | | | |
| <u>Florida Department of Children and Families (passed through Children's Network of Southwest Florida and Various Community Based Care Organizations)</u> | | | |
| Residential Group Care Program Services | 60.094 | DAJ07, 0260 | 900,173 |
| | | | |
| <u>Florida Atlantic University</u> | | | |
| Experiential Education Curriculum – FAU/AMIkids | None | None | 1,410,000 |
| Total Expenditures of State Financial Assistance – Florida | | | \$17,374,815 |
| | | | |
| <u>Texas Juvenile Justice Department:</u> | | | |
| Residential Services (passed through various county Juvenile Probation Departments) | None | None | \$210,530 |
| Residential Services | None | RS05453 | 728,992 |
| Total Expenditures of State Financial Assistance – Texas | | | \$939,522 |

The accompanying notes are an integral part of this schedule.

AMIkids, Inc. and Affiliates
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance

Note 1 – Basis of Presentation

The schedule of expenditures of federal awards and state financial assistance (the “Schedule”) includes the federal and state grant activity of AMIkids, Inc. and Affiliates under programs of the federal and state governments for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, Rules of the Florida Department of Financial Services, Chapter 69I-5, Florida Administrative Code and the State of Texas Single Audit Circular. Because the Schedule presents only a selected portion of the operations of AMIkids, Inc. and Affiliates, it is not intended to and does not present the financial position, changes in net assets or cash flows of AMIkids, Inc. and Affiliates. Therefore, some amounts presented in the Schedule may differ from amounts presented in the combined financial statements.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* and applicable state guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented when available.



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
AMIkids, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of AMIkids, Inc. and Affiliates (the "Organization"), which comprise the combined statement of financial position as of June 30, 2014, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated September 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined 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 consolidated 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

Tampa, Florida
September 17, 2014



Independent Auditor's Report on Compliance for Each Major Federal Program and State Project, and Report on Internal Control Over Compliance

Board of Trustees
AMKids, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited AMKids, Inc. and Affiliates' (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, the requirements described in the Florida Department of Financial Services, *State Projects Compliance Supplement* and State of Texas Single Audit Circular 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, 2014. The Organization's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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*; State of Florida, Chapter 10.650, Rules of the Auditor General; and State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and regulations in the States of Florida and Texas 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133, State of Florida, Chapter 10.650 and State of Texas Single Audit Circular. Our opinion on each major federal program and state project is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for

each major federal program or state project and to test and report on internal control over compliance in accordance with OMB Circular A-133, State of Florida, Chapter 10.650 and State of Texas Single Audit Circular 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 projects 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 projects will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state projects that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133, State of Florida, Chapter 10.650 and State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Armas, Fernandez & Riley, LLP

Certified Public Accountants

Tampa, Florida
September 17, 2014

AMIkids, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Year ended June 30, 2014

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____

Yes X No

Federal Awards and State Financial Assistance

Internal control over major federal programs and state projects:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X None reported

Type of auditors’ report issued on compliance for major federal programs and state projects:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____

Yes X No

Any audit findings disclosed that are required to be reported under Florida Section 10.656, Rules of the Auditor General? _____

Yes X No

Any audit comments or recommendations reported in a separate letter as required by Florida Section 10.656(3)(e), Rules of the Auditor General? _____

Yes X No

Any audit comments or recommendations reported in a separate letter as required by the State of Texas Single Audit Circular? _____

Yes X No

Identification of major federal programs and state projects:

Federal CFDA Number
10.553 and 10.555

Name of Federal Program
National School Breakfast and Lunch Programs
(Child Nutrition Cluster)

State of Florida CSFA Number
80.021
60.094

Name of State Project
Day Treatment Services
Residential Group Care Program Services

State of Texas Grant Number
RS05453

Name of State Project
Residential Services

AMIkids, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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

| | |
|--------------------------------|------------------|
| Major federal programs | <u>\$300,000</u> |
| Major state projects – Florida | <u>\$516,120</u> |
| Major state projects – Texas | <u>\$300,000</u> |

Auditee qualified as low-risk auditee pursuant to OMB
Circular A-133 and the State of Texas Single Audit
Circular?

 X Yes No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award and State Financial Assistance Findings and Questioned Costs

No matters were reported.

Section IV – Summary Schedule of Prior Year Findings

No matters were reported in the prior year.