

CHARLEE OF DADE COUNTY, INC.

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR THE
YEAR ENDED JUNE 30, 2013)

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INDEPENDENT AUDITORS' REPORT

PEDRO M. DE ARMAS, C.P.A.
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ALEJANDRO M. TPUJILLO, C.P.A.
OCTAVIO A. VERDEJA, C.P.A.
TAB VERDEJA, C.P.A.

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

MANNY ALVAREZ, C.P.A.
YESIE CASTRO, C.P.A.
JOHN-PAUL MADARIAGA, C.P.A.
MARIA C. PEREZ-ABREU, C.P.A.
CRISTIN REVILLA, C.P.A.
OCTAVIO F. VERDEJA, C.P.A.

Report on the Financial Statements

We have audited the accompanying financial statements of CHARLEE of Dade County, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, except for the uncertainty described in the following paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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.

Uncertainty Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 2 to the financial statements, the Organization has incurred continuous losses from operations and significant reductions in grant revenues that raise substantial doubt about its ability to continue as a going concern. Furthermore, as indicated in note 6, the line of credit matures on February 28, 2015. Management's plans regarding these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, and State Financial Assistance as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650 Rules of the Auditor General of the State of Florida, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 financial statements, and our report dated October 30, 2013, expressed an unmodified opinion on those audited financial statements. 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 financial statements from which it has been derived.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
February 6, 2015

CHARLEE OF DADE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013)

ASSETS	2014	2013 Comparative Totals
CURRENT ASSETS		
Cash and cash equivalents	\$ -	\$ 472,597
Grants and other receivables	960,731	537,646
Pledges receivable, net	154,553	249,791
Investments	1,063,626	1,551,775
Prepaid expenses and other current assets	62,347	33,294
TOTAL CURRENT ASSETS	<u>2,241,257</u>	<u>2,845,103</u>
 PLEDGES RECEIVABLE, long-term	 228,419	 864,608
 OTHER ASSETS	 61,831	 61,831
 PROPERTY AND EQUIPMENT, net	 <u>1,515,620</u>	 <u>1,561,548</u>
TOTAL ASSETS	<u><u>\$ 4,047,127</u></u>	<u><u>\$ 5,333,090</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Bank overdraft	\$ 186,530	\$ -
Accounts payable and accrued expenses	1,171,878	1,342,679
Line of credit	681,478	247,999
Notes payable - current portion	12,390	-
TOTAL CURRENT LIABILITIES	<u>2,052,276</u>	<u>1,590,678</u>
 Notes payable - long term portion	 20,851	 -
TOTAL LIABILITIES	<u>2,073,127</u>	<u>1,590,678</u>
 NET ASSETS		
Unrestricted	1,721,580	3,158,252
Temporarily restricted	252,420	584,160
TOTAL NET ASSETS	<u>1,974,000</u>	<u>3,742,412</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,047,127</u></u>	<u><u>\$ 5,333,090</u></u>

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

CHARLEE OF DADE COUNTY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	Unrestricted	Temporarily Restricted	2014 Total	2013 Comparative Totals
SUPPORT				
Special events	\$ 280,428	\$ -	\$ 280,428	\$ 288,688
Contributions	159,506	-	159,506	740,334
Donated goods and services	59,741	-	59,741	139,678
TOTAL SUPPORT	499,675	-	499,675	1,168,700
REVENUE				
Our Kids, Inc. contracts	9,521,595	-	9,521,595	10,003,392
Other grants and fees	155,138	446,096	601,234	1,094,865
Medicaid	393,450	-	393,450	950,061
Investment income	136,656	-	136,656	97,880
Other income	102,179	-	102,179	1,700
Net assets released from restriction	777,836	(777,836)	-	-
TOTAL REVENUE	11,086,854	(331,740)	10,755,114	12,147,898
TOTAL SUPPORT AND REVENUE	11,586,529	(331,740)	11,254,789	13,316,598
EXPENSES				
Program services	11,638,341	-	11,638,341	12,202,969
Supporting activities	1,384,860	-	1,384,860	1,174,140
TOTAL EXPENSES	13,023,201	-	13,023,201	13,377,109
CHANGE IN NET ASSETS	(1,436,672)	(331,740)	(1,768,412)	(60,511)
NET ASSETS - Beginning of year	3,158,252	584,160	3,742,412	3,802,923
NET ASSETS - End of year	\$ 1,721,580	\$ 252,420	\$ 1,974,000	\$ 3,742,412

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

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014 (With Comparative Totals for the Year Ended June 30, 2013)

	Group Homes	Full Case Management	Clinical Program	Medical Program	Education Program	NC CAMP	Total Program Services	Fundraising	Administrative	2014 Total	2013 Comparative Totals
PERSONNEL COSTS											
Salaries	\$ -	\$ 3,435,920	\$ 488,405	\$ 203,838	\$ -	\$ 74,017	\$ 4,202,180	\$ 109,800	\$ 767,972	\$ 5,079,952	\$ 5,682,640
Payroll taxes and benefits	-	583,251	129,352	47,759	75	9,549	769,986	17,566	194,023	981,575	1,380,993
TOTAL PERSONNEL COSTS	\$ -	\$ 4,019,171	\$ 617,757	\$ 251,597	\$ 75	\$ 83,566	\$ 4,972,166	\$ 127,366	\$ 961,995	\$ 6,061,527	\$ 7,063,633
OTHER EXPENSES											
Occupancy	\$ -	\$ 362,507	\$ 82,249	\$ 25,736	\$ -	\$ -	\$ 470,492	\$ 10,930	\$ 80,298	\$ 561,720	\$ 506,058
Foster parent payments	-	3,719,147	-	-	-	-	3,719,147	-	-	3,719,147	3,232,415
Professional & contracted fees	-	26,597	66,822	14,085	-	2,102	109,606	659	21,427	131,692	135,849
Client activities & supplies	2,594	661,160	13,173	3,760	128,280	23,184	832,151	-	-	832,151	784,232
Insurance	14,969	151,647	30,316	9,940	-	38,418	245,290	3,748	21,848	270,886	251,887
Interest	-	-	-	-	-	-	-	-	32,483	32,483	18,243
Recruitment/Training	-	31,851	2,430	2,189	-	2,232	38,702	16,204	13,737	68,643	55,524
Travel & conference	-	248,706	34,070	2,274	-	36,391	321,441	1,852	14,216	337,509	377,648
Telecommunication	-	46,328	11,843	2,400	142	1,385	62,098	1,576	9,121	72,795	93,801
Marketing	-	-	-	-	-	-	-	6,494	-	6,494	2,655
Office expense	-	21,962	9,869	2,199	92	3,347	37,469	8,481	31,879	77,829	80,689
Printing	-	40,030	7,113	2,067	-	52	49,262	914	8,309	58,485	62,416
Technology	-	-	-	-	-	1,043	1,043	6,700	90,457	98,200	75,887
Postage	-	9,539	1,314	444	-	442	11,739	440	1,546	13,725	12,843
Maintenance & Repairs	5,852	28,782	-	-	-	1,747	36,381	15	1,042	37,438	26,624
Dues & Subscriptions	-	12,345	-	-	-	-	12,345	4,270	-	16,615	22,508
Events	-	-	-	-	-	-	-	26,072	-	26,072	256,642
Bad debt expense	-	-	-	-	-	-	-	364,071	-	364,071	14,525
Miscellaneous	3,375	11,214	-	-	-	4,318	18,907	15,994	16,046	50,947	18,937
Total expenses before depreciation and other expenses	\$ 26,790	\$ 9,390,986	\$ 876,956	\$ 316,691	\$ 128,589	\$ 198,227	\$ 10,938,239	\$ 595,786	\$ 1,304,404	\$ 12,838,429	\$ 13,093,016
Depreciation	33,992	49,490	-	-	-	9,952	93,434	3,584	28,013	125,031	144,415
Donated goods	-	59,741	-	-	-	-	59,741	-	-	59,741	139,678
Distributed indirect costs- Administration	-	422,452	86,327	24,176	1,879	12,093	546,927	-	(546,927)	-	-
Total Expenses after depreciation and other expenses	\$ 60,782	\$ 9,922,669	\$ 963,283	\$ 340,867	\$ 130,468	\$ 220,272	\$ 11,638,341	\$ 599,370	\$ 785,490	\$ 13,023,201	\$ 13,377,109

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

CHARLEE OF DADE COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013 Comparative Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,768,412)	\$ (60,511)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	125,031	144,415
Unrealized/realized gain on investments	(90,328)	(68,815)
Increase (decrease) in allowance for bad debt and discount on pledges	444,073	(1,417)
Changes in operating assets and liabilities:		
(Increase) decrease in grants and other receivables	(423,085)	194,568
Decrease (increase) in pledges receivable	287,354	(557,972)
Increase in prepaid expenses and other assets	(29,053)	(16,004)
(Decrease) increase in accounts payable and accrued expenses	(170,801)	126,318
Total adjustments	143,191	(178,907)
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,625,221)</u>	<u>(239,418)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (purchase) of investments	578,477	(21,440)
Acquisition of property and equipment	(40,289)	(40,514)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>538,188</u>	<u>(61,954)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (repayments) from line of credit	433,479	(454,551)
Repayment of borrowings and capital leases	-	(18,164)
Repayments of notes payable	(5,573)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>427,906</u>	<u>(472,715)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (659,127)	 (774,087)
 CASH AND CASH EQUIVALENTS - Beginning of year	 <u>472,597</u>	 <u>1,246,684</u>
 (BANK OVERDRAFT) CASH AND CASH EQUIVALENTS - End of year	 <u>\$ (186,530)</u>	 <u>\$ 472,597</u>

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

Interest paid during the year	<u>\$ 32,483</u>	<u>\$ 18,243</u>
Cost of property and equipment acquired	<u>\$ 38,814</u>	<u>\$ -</u>

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

**CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CHARLEE (Children Have All Rights: Legal, Educational, Emotional) is a private not-for-profit agency operating since 1983 in Miami-Dade County. During its 31 year history CHARLEE has provided a wide range of services from full case management/foster care to behavioral health services for children and families of Miami-Dade. In December 2014, CHARLEE transitioned out of the full case management business. CHARLEE's efforts are now focusing on the areas of behavioral health and prevention programs to help keep children and families out of the child welfare system. Current services include individual and family therapy, Child-Parent Psychotherapy, mental health targeted case management, therapeutic visitation, adoptions recruitment and programming at our therapeutic wilderness camp in North Carolina. Additional prevention programs are being explored.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and with standards established by the Financial Accounting Standards Board ("FASB") for external financial reporting by not-for-profit organizations.

Accordingly, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

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

Temporarily Restricted Net Assets – include those net assets subject to donor stipulations that limit the use of the donated assets. 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 statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – include those net assets that must be maintained by the Organization in perpetuity. Permanently restricted net assets increase when the Organization receives contributions for which donor-imposed restrictions limiting the Organization's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Organization meeting certain requirements.

Estimates

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

Reclassification

Certain reclassifications have been made to the June 30, 2013 financial statement presentation to correspond to the current year's format. Total net assets and change in net assets are unchanged due to these reclassifications.

**CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Realized and unrealized gains and losses are included in the Statement of Activities.

Grants and Other Receivables

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

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount rate used is between 1% and 4%. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. The allowance for doubtful accounts was \$100,257 for the year ended June 30, 2014.

Property and Equipment

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

Residential property and improvements	5 – 30 years
Furniture and equipment	5 – 10 years
Automotive equipment	5 years
Computer equipment	3 – 5 years

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

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

**CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

Risk and Uncertainty

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

Restrictions Met in the Same Period

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

Grant Revenue and Revenue Concentration

Grant and contract revenue is recognized when the allowable costs as defined by the individual grants or contracts are incurred. The Organization receives approximately 85% of their revenues from contracts provided by the Our Kids of Miami-Dade/Monroe, Inc. Subsequent to June 30, 2014, the Organization has terminated its contract with Our Kids of Miami Dade/Monroe, Inc. and is expanding its current programs and adding new programs in areas related to diversion and prevention services.

Donated Goods and Services

The Organization received donated services during the year. A number of volunteers have donated their time in certain of the Organization's program service areas, fundraising activities and efforts to solicit charitable contributions. Because of the difficulty in determining the number of hours of such services, those items are not disclosed in the accompanying financial statements. However, when the value of donated services requires specific expertise, they are reflected in the financial statements as a revenue and expense. The Organization received donated goods and services valued at \$59,741.

Functional Expenses

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

Subsequent Events

The Organization has evaluated subsequent events through February 6, 2015, which is the date the financial statements were available to be issued.

Income Taxes

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

There are no reserves held for uncertain tax positions at June 30, 2014. Tax years that are open under the statute of limitations remain subject to examination by the IRS. As of June 30, 2014, the tax years 2011, 2012, 2013 and 2014 remain open.

CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash equivalents. At times, cash balances may exceed the levels of insurance provided by the Federal Deposit Insurance Coverage (FDIC). In addition, investments are not insured by the FDIC.

NOTE 2 – GOING CONCERN

The Organization has incurred significant losses during the year ended June 30, 2014 primarily resulting from a reduction in support and revenues combined with significant increases in placement costs. The Organization experienced an increase in the influx of children into foster care, unusually high placement costs and significant turnover in full case management resulting in additional expenses during the year, while a reduction in revenues from contributions, grants and Medicaid exacerbated the financial strain on operations. These factors raise substantial doubt about the Organization's ability to continue as a going concern.

In October 2014, the Organization decided not to renew its full case management contract with Our Kids of Miami-Dade/Monroe, Inc. This contract represented 85% of the Organization's revenue and thus, will have a significant impact on the Organization's future operations. Management is focusing its efforts on providing new services in areas related to prevention of child neglect, abuse and abandonment, which will be supported through various grants and private funding. Additionally, Management is in the process of expanding its behavioral health services (which are fee-for-services based) and its therapeutic camp facilities, providing adoption recruitment services and child-psychotherapy services, raising funds, obtaining access to new grants and reducing its costs. Management believes these steps will increase revenues, improve profitability and provide cash flows to service its obligations.

The Company's ability to continue as a going concern is dependent upon the success of the implementation of Management's plans. The accompanying financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

NOTE 3 – INVESTMENTS

The Organization's investments as of June 30, 2014 are comprised of the following:

Cash and money market funds	\$	1,136
Alternative assets		62,332
Fixed income		756,960
Equities		243,198
		<u>\$ 1,063,626</u>

Interest, dividends, realized and unrealized gains and losses earned in the investment accounts are considered unrestricted. The Organization recorded unrealized/realized gains for investments of \$90,328 for the year ended June 30, 2014. In addition, the Organization recorded interest and dividends of \$46,328 for the year ended June 30, 2014.

**CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 4 – PLEDGES RECEIVABLE, NET

Unconditional promises to give are expected to be realized in the following periods as of June 30, 2014:

Within one year	\$ 174,604
In one to five years	<u>326,683</u>
	501,287
Less:	
Allowance for uncollectable pledges	(100,257)
Discounts for time value of money	<u>(18,058)</u>
	<u>\$ 382,972</u>

Approximately, 44% of the total gross pledges receivable balance at June 30, 2014 was from one donor. Historically, the Organization has collected receivables from these donors. Bad debt expense was approximately \$364,000 for the year ended June 30, 2014.

NOTE 5 – PROPERTY AND EQUIPMENT, NET

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

Residential property and improvements	\$ 1,519,593
Furniture and equipment	268,473
Computer software	268,695
Automotive equipment	<u>223,525</u>
	2,280,286
Less accumulated depreciation	<u>(1,391,335)</u>
	888,951
Land	<u>626,669</u>
	<u>\$ 1,515,620</u>

Depreciation expense for the year ended June 30, 2014 was \$125,031.

As indicated in Note 12, the Organization sold two properties subsequent to year end and received proceeds of approximately \$856,000.

NOTE 6 – LINE OF CREDIT

In August 2013, the Organization modified their existing \$900,000 revolving line of credit with BB&T. The principal balance is payable on demand and is collateralized by substantially all the assets of the Organization. Interest is at a variable rate of the bank's Prime Rate plus 1% per annum to be adjusted monthly, as the bank's Prime Rate changes. The Organization had an outstanding balance of \$681,478 as of June 30, 2014. The effective interest rate is 4.25% at June 30, 2014. The line was renewed subsequent to year end and matures in February 28, 2015.

CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 6 – LINE OF CREDIT (Continued)

Certain loan agreements contain restrictive covenants. At June 30, 2014, the Organization was in default of certain covenants. The Organization has received a waiver of this event of the current year. The financial statements do not include any adjustments related to the events of default or that would result from the Organization’s inability to cure such default in the future.

NOTE 7 – NOTES PAYABLE

At June 30, 2014 note payables consist of the following:

Note payable to a financial institution for approximately \$20,500. The note requires 35 equal monthly installments of principal and interest in the amount of approximately \$600. Interest is charged at a rate of 1.9%. The note matures January 2017.	\$ 18,238
Note payable to a financial institution for approximately \$17,200. The note requires 35 equal monthly installments of principal and interest in the amount of approximately \$500. Interest is charged at a rate of 1.9%. The note matures January 2017.	15,003
	33,241
Less: current portion	(12,390)
Long-term portion	\$ 20,851

The notes payable are collateralized by the underlying assets.

Minimum maturity requirements on long-term debt are as follows:

Year Ending June 30,	
2015	\$ 12,390
2016	12,637
2017	8,214
Total	\$ 33,241

Total interest expense on all indebtedness for the year ended June 30, 2014 was \$32,483.

NOTE 8 – GRANTS AND CONTRACTS FOR CLIENT SERVICES

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

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

**CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 9 – LEASE COMMITMENTS

The Organization has entered into a new 10 year rental agreement expiring October 2023. As part of the lease agreement the Organization is responsible for expenses related to common areas. These expenses, along with the required lease payments, were approximately \$516,000 for the year ended June 30, 2014.

Total future minimum rental payments under the new operating lease as of June 30, 2014 is as follows:

Year Ending June 30,	
2015	\$ 325,435
2016	335,597
2017	345,758
2018	355,920
2019	366,081
Thereafter	<u>1,565,939</u>
Total	<u>\$ 3,294,730</u>

NOTE 10– FAIR VALUE MEASUREMENTS

The Organization classified its investments as of June 30, 2014, based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2014.

Fixed Income and money market funds – is typically valued on the basis of bid prices provided by a pricing vendor when the Pricing Group reasonably believes that such prices reflect the market value of the security.

Alternative investments: Valued at the net asset value if such value is published near the reporting date, or for those funds for which such value is unavailable, at the fund manager’s estimate of net asset value as of the reporting date. Alternative investments may also be subject to other restrictions, including liquidity limitations.

Equities– is typically valued at the official closing price of the exchange.

CHARLEE OF DADE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 10– FAIR VALUE MEASUREMENTS (Continued)

The fair values of the Organization’s assets measured on a recurring basis at June 30, 2014 are as follows:

Fair Value Measurements Using:

Assets	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and money market funds	\$ 1,136	\$ 1,136	\$ -	\$ -
Alternative assets	62,332	62,332		
Fixed income	756,960	756,960	-	-
Equities	243,198	243,198	-	-
	<u>\$ 1,063,626</u>	<u>\$ 1,063,626</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 11 – EMPLOYEE BENEFIT PLAN

The Organization implemented a 403(b) defined contribution plan in April 2005. Under this plan, the Organization will match up to 50% of what the employee contributes capped at 2% of the employee’s annual salary after a year of service. All employees are eligible to participate in this plan; however, the Organization only contributes after the employee’s first year of service. The employee becomes fully vested after completing their third year of service. Total payments for the year ended June 30, 2014 were approximately \$26,000.

NOTE 12 – SUBSEQUENT EVENTS

In July 2014, the Organization withdrew funds in the amount of \$200,000 from its investment account. In January 2015, the Organization sold all the vehicles it owned, except one, with aggregate proceeds of approximately \$19,000 recognizing a gain of \$5,200.

Subsequent to year end, the Organization sold two properties, one in August 2014 and one in December 2014, with aggregate proceeds of approximately \$856,000 recognizing a gain of \$548,000.

NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of grants receivable and cash. These assets are restricted for the following purpose:

Adoption	\$ 70,000
Healthy teens	120,000
Education	43,332
Other	19,088
	<u>\$ 252,420</u>

SUPPLEMENTARY INFORMATION

**CHARLEE OF DADE COUNTY, INC.
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2014**

<i>State Grantor/ Pass-through Grantor/ Program Title</i>	<i>State CSFA Number</i>	<i>Contract Number</i>	<i>Expenditure</i>
STATE AGENCY NAME:			
United States Department of Health and Human Services through Florida Department of Children and Families - Passed through Our Kids of Miami-Dade/Monroe, Inc.			
In-Home Support	60.074	N/A	\$ 875,900
Out-Of-Home Supports	60.075	N/A	2,483,069
Independent Living Program	60.112	N/A	179,334
			<u>\$ 3,538,303</u>

See accompanying note to the Schedules of Expenditures
 of Federal Awards and State Financial Assistance.

**CHARLEE OF DADE COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<i>Federal Grantor/ Pass-through Grantor/ Program Title</i>	<i>Federal CFDA Number</i>	<i>Contract Number</i>	<i>Expenditure</i>
FEDERAL AGENCY NAME:			
United States Department of Health and Human Services through Florida Department of Children and Families - Passed through Our Kids of Miami-Dade/Monroe, Inc.			
Temporary Assistance for Needy Families Block Grant	93.558	N/A	\$ 596,154
Child Welfare Services - State Grants	93.645	N/A	89,968
Promoting Safe and Stable Families	93.556	N/A	441,397
Foster Care Title IV-E	93.658	N/A	2,514,663
Adoption Assistance	93.659	N/A	239,716
Social Services Block Grant	93.667	N/A	936,329
Independent Living	93.674	N/A	233,765
Promoting Safe and Stable Families-IV-B	93.556	N/A	11,349
			<u>\$ 5,063,341</u>

See accompanying note to the Schedules of Expenditures
of Federal Awards and State Financial Assistance.

CHARLEE OF DADE COUNTY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014

General

The accompanying Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance (the "Schedules") present the activity of all federal and state award programs of the Organization for the year ended June 30, 2014 on the accrual basis of accounting. All federal and state awards received directly from federal and state agencies, as well as federal and state awards received from other government agencies are included in the Schedules. The information in these schedules is in accordance with U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and with State of Florida Rules of the Auditor General Chapter 10.650, *State Single Audits Non-Profit and For-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

**INDEPENDENT AUDITOR'S REPORT ON
 INTERNAL CONTROL OVER FINANCIAL
 REPORTING AND ON COMPLIANCE AND OTHER
 MATTERS BASED ON AN AUDIT OF FINANCIAL
 STATEMENTS PERFORMED IN ACCORDANCE
 WITH *GOVERNMENT AUDITING STANDARDS***

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

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 CHARLEE of Dade County, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 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. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as MW 2014-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
February 6, 2015

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

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

Report on Compliance for Each Major Federal Program and State Project

We have audited CHARLEE of Dade County, Inc.'s (the "Organization"), compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended June 30, 2014. The Organization's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to 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*, and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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 and State Project

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

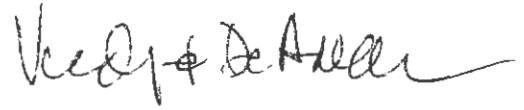
Report on Internal Control Over Compliance

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 each major federal program and 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 and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
February 6, 2015

**CHARLEE OF DADE COUNTY, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2014**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Qualified

Internal control over financial reporting:

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

Instances of noncompliance material to financial statements noted?

 Yes X No

Federal Awards and State Projects

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

Unmodified

Internal control over major federal programs and state projects:

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

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

 Yes X No

Identification of major federal programs and state projects:

<u>Major Federal Program/State Project</u>	<u>CFDA/CSFA Number</u>	<u>Expenditures</u>
Temporary Assistant for Needy Families Block Grant	93.558	\$ 596,154
Child Welfare Services- State Grants	93.645	\$ 89,968
Promoting Safe and Stable Families	93.556	\$ 441,397
Foster Care Title IV-E	93.658	\$ 2,514,663
Adoption Assistance	93.659	\$ 239,716
Social Services Block Grant	93.667	\$ 936,329
Independent Living	93.674	\$ 233,765
Promoting Safe and Stable Families- IV-B	93.556	\$ 11,349
In-Home Supports	60.074	\$ 875,900
Out-of-Home Supports	60.075	\$ 2,483,069
Independent Living Program	60.112	\$ 179,334

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

\$ 300,000

**CHARLEE OF DADE COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

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

X Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

MW 2014-1 Timely reconciliation of balance sheet accounts to supporting documents

Criteria: In order to produce more accurate monthly financial reports, the Organization should reconcile the balance sheet accounts for cash, accounts receivable and accounts payable, on a timely basis to supporting documentation. A benefit to timely reconciliations is that errors do not accumulate and can be identified and attributed to a particular period. Also, this process assists management in budgeting and cash flow management.

Condition: Certain transactions relating to the following accounts were not recorded properly and in a timely manner in the accounting system:

- Cash
- Grants and Pledges Receivable
- Accounts Payable

Cause: We believe that the accounting department's current monthly closing procedures are not adequate to provide for the review and evaluation of transactions on a timely basis.

Effect: Adjusting entries were required and the effect of which was to decrease the change in net assets by approximately \$389,000. Substantially, all of the entries were to correct bookkeeping errors.

Recommendation: The Organization should adopt a policy requiring reconciliations of all balance sheet accounts to their subsidiary ledgers in order to ensure the accuracy of the monthly financial statements and the underlying subsidiary ledgers. These reconciliations will quickly identify the requisite corrections, if any.

Management
Response: Due to the turnover in the Finance, Human Resources and Business Development departments, reviews and reconciliations were not performed properly and on a timely basis. Furthermore, the remaining staff was assigned additional tasks which created additional delays. After year end, management hired personnel to review and identify overall weaknesses in the system and has begun setting up processes to address and correct those areas of concern.

**CHARLEE OF DADE COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

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

SECTION IV – OTHER ISSUES

1. A management letter was issued and reported to management in a separate letter dated February 6, 2015.
2. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal awards programs or state financial assistance projects.
3. No Corrective Action Plan is required because there were no findings required to be reported under the Federal OMB Circular A-133 Compliance Supplement or the Department of Financial Services' State Project Compliance Supplement.