

**OUR KIDS OF MIAMI-DADE/  
MONROE, INC.**

**FINANCIAL STATEMENTS 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

Board of Directors  
Our Kids of Miami-Dade/Monroe, Inc.  
Miami, Florida

We have audited the accompanying statement of financial position of Our Kids of Miami-Dade/Monroe, Inc. ("Our Kids") as of June 30, 2014, and the related statements of activities, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statements referred to above present fairly, in all material respects, the financial position of Our Kids 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-Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that Our Kids will continue as a going concern. As discussed in Note 11 to the financial statements, Our Kids incurred a deficit in net assets and will require additional funding from its primary funding source, The Department of Children and Families (DCF). This matter raises substantial doubt about Our Kids ability to continue as a going concern. Management's plans with respect to these matters are described on page 12 and Note 11. 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.

## **Report on Summarized Comparative Information**

We have previously audited the Our Kids of Miami-Dade/Monroe, Inc.'s 2013 financial statements, and our report dated December 12, 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.

## ***Other Matters***

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, 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, is 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 January 26, 2015, on our consideration of Our Kids' 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 Our Kids' internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
January 26, 2015

**OUR KIDS OF MIAMI-DADE/MONROE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 (With Comparative Totals as of June 30, 2013)**

**ASSETS**

	2014	Comparative Totals 2013
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 7,590,800	\$ 10,225,655
Funds held for clients - social security benefits	323,368	234,670
Accounts receivable	723,556	-
Other receivables	110,011	60,680
Prepaid expenses and other current assets	553,702	821,984
<b>TOTAL CURRENT ASSETS</b>	<u>9,301,437</u>	<u>11,342,989</u>
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment, net	1,058,464	1,388,416
Deposits	47,809	47,809
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>1,106,273</u>	<u>1,436,225</u>
<b>TOTAL ASSETS</b>	<u>\$ 10,407,710</u>	<u>\$ 12,779,214</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and other accrued expenses	\$ 6,925,905	\$ 6,736,592
Due to clients - social security benefits	323,368	234,670
Deferred revenue - government contracts	906,032	2,813,708
<b>TOTAL CURRENT LIABILITIES</b>	<u>8,155,305</u>	<u>9,784,970</u>
<b>TOTAL LIABILITIES</b>	<u>8,155,305</u>	<u>9,784,970</u>
<b>NET ASSETS</b>		
Unrestricted	1,851,352	2,449,039
Temporarily restricted	401,053	545,205
<b>TOTAL NET ASSETS</b>	<u>2,252,405</u>	<u>2,994,244</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 10,407,710</u>	<u>\$ 12,779,214</u>

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

**OUR KIDS OF MIAMI-DADE/MONROE, INC.****STATEMENTS OF ACTIVITIES****FOR THE YEAR ENDED JUNE 30, 2014 (With Comparative Totals for the Year Ended June 30, 2013)**

	2014			Comparative Totals 2013
	Unrestricted	Temporarily Restricted	Total	
<b>SUPPORT AND REVENUE</b>				
Federal and State Awards	\$ 100,775,957	\$ -	\$ 100,775,957	\$ 97,394,425
Other Government contracts	275,284	-	275,284	217,355
Contributions	12,415	98,241	110,656	309,591
Other program revenue	264,000	-	264,000	272,028
Interest income	203	62	265	372
Release of restrictions	242,455	(242,455)	-	-
<b>TOTAL SUPPORT AND RELEASE OF RESTRICTIONS</b>	<b>101,570,314</b>	<b>(144,152)</b>	<b>101,426,162</b>	<b>98,193,771</b>
<b>EXPENSES</b>				
Program Services:				
Children services including Foster Care, Adoption, and Independent Living	98,813,040	-	98,813,040	94,899,741
Supporting Activities:				
Management and general	3,354,961	-	3,354,961	3,339,080
<b>TOTAL EXPENSES</b>	<b>102,168,001</b>	<b>-</b>	<b>102,168,001</b>	<b>98,238,821</b>
<b>CHANGE IN NET ASSETS</b>	<b>(597,687)</b>	<b>(144,152)</b>	<b>(741,839)</b>	<b>(45,050)</b>
<b>BEGINNING NET ASSETS</b>	<b>2,449,039</b>	<b>545,205</b>	<b>2,994,244</b>	<b>3,039,294</b>
<b>ENDING NET ASSETS</b>	<b>\$ 1,851,352</b>	<b>\$ 401,053</b>	<b>\$ 2,252,405</b>	<b>\$ 2,994,244</b>

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

**OUR KIDS OF MIAMI-DADE/MONROE, INC.****STATEMENTS OF CASH FLOWS****FOR THE YEAR ENDED JUNE 30, 2014 (With Comparative Totals for the Year Ended June 30, 2013)**

	2014	Comparative Totals 2013
Cash Flows from Operating Activities		
Change in Net Assets	<u>\$ (741,839)</u>	<u>\$ (45,050)</u>
Adjustments to reconcile excess to net cash provided by (used in) operating activities:		
Depreciation and amortization	670,120	673,620
Loss on disposal of fixed asset	56,182	24,202
Change in Assets and Liabilities:		
(Increase) Decrease in Operating Assets		
Accounts receivables	(723,556)	-
Other receivables	(49,331)	(53,443)
Prepaid expenses and other current assets	268,282	(40,239)
Increase (Decrease) in Operating Liabilities		
Accounts payable and other accrued expenses	189,313	1,808,361
Deferred revenue	<u>(1,907,676)</u>	<u>218,555</u>
Total adjustments	<u>(1,496,666)</u>	<u>2,631,056</u>
Net Cash (Used in) Provided By Operating Activities	<u>(2,238,505)</u>	<u>2,586,006</u>
Cash Flows from Investing Activities		
Acquisition of property and equipment	<u>(396,350)</u>	<u>(649,145)</u>
Net Cash Used in Investing Activities	<u>(396,350)</u>	<u>(649,145)</u>
Net (Decrease) Increase in Cash	(2,634,855)	1,936,861
Cash at beginning of year	<u>10,225,655</u>	<u>8,288,794</u>
Cash at end year	<u>\$ 7,590,800</u>	<u>\$ 10,225,655</u>

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

**OUR KIDS OF MIAMI-DADE/MONROE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Our Kids of Miami-Dade/Monroe, Inc. (“Our Kids”) was incorporated as a nonprofit corporation in the State of Florida in September 2002 by the Miami-Dade and Monroe Counties local child advocacy communities in response to the need for local control and leadership of the child welfare system. Our Kids builds on the strength of existing community agencies that have established an accredited history and reputation for quality service. Our Kids has a five year contract with the Florida Department of Children and Families (“DCF”) expiring June 30, 2019. The contract may be terminated by either party upon no less than 30 calendar days.

**Basis of Accounting**

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

**Financial Statement Presentation**

Our Kids prepares its financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). Our Kids is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of Our Kids and changes therein are classified and reported as follows:

Unrestricted net assets are the part of net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. Generally, operating revenues and expenses have been recorded in the Unrestricted Fund.

Temporarily restricted net assets result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be removed by actions of the organization pursuant to those stipulations. As of June 30, 2014, temporarily restricted net assets were \$401,053.

Permanently restricted net assets result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the organizations. As of June 30, 2014, Our Kids does not have permanently restricted net assets.

**Cash and Cash Equivalents**

For the purpose of reporting cash flows, Our Kids considers all highly liquid financial instruments with maturity of three months or less to be cash equivalents.

**Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, receivables, prepaid expenses and other assets, and accounts payable and accrued expenses approximate fair value due to the short maturity of these financial instruments. The carrying value of receivables has been reduced by an appropriate allowance for uncollectible accounts, based on historical collection experience and therefore approximates net realizable value.

**OUR KIDS OF MIAMI-DADE/MONROE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Grants and Contracts Receivable**

Grant and contract receivable consists primarily of federal and state grant. Government contract revenues are recognized as allowable expenses, and are incurred in accordance with contractual and regulatory provisions. Revenue received in advance is deferred and recognized over the period to which the related services are provided.

**Property and Equipment**

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over the useful lives of the assets, generally five years. Leasehold improvements are amortized over the lesser of the lease term or the useful life of the asset. Assets acquired with state funds may revert back to the state at the termination of Our Kids contract with the State of Florida.

**Impairment of Long-Lived Assets**

Our Kids management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2014, and in the opinion of management, there was no impairment.

**Allowance for Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. Our Kids does not believe they need an allowance for uncollectible accounts receivable as of June 30, 2014.

**Income Taxes**

Our Kids 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, Our Kids 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. Our Kids is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2011.

**Revenue Recognition/Deferred Revenue**

It is the policy of Our Kids to record the total grant amount at the time of award and defer the unexpended portion until earned. Government funds restricted by the grantor for plant acquisitions or operating purposes are deemed to be earned and reported as revenue when Our Kids has incurred expenditures in compliance with specific restrictions.

**OUR KIDS OF MIAMI-DADE/MONROE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Allocation of Functional Expenses**

Identifiable expenditures made in direct fulfillment of Our Kids expressed goals are classified as child welfare, foster care, adoption, and independent living services. In addition, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain common expenses have been allocated among the programs and supporting services based upon management's estimate of factors such as time spent or space utilized.

**Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires Our Kids to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

**Subsequent Events**

Our Kids has evaluated subsequent events through January 26, 2015, which is the date the financial statements were available to be issued.

NOTE 2 – CREDIT RISK

Financial institutions can potentially subject Our Kids to concentrations of credit risk. At times, cash in banks can exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit. Our Kids maintains cash balances in several financial institutions. The balances at separate institutions are insured by the FDIC up to \$250,000. At June 30, 2014, Our Kids had approximately \$8,000,000 in uninsured cash balances.

NOTE 3 – ACCOUNTS RECEIVABLE -DEPARTMENT OF CHILDREN AND FAMILIES

Accounts receivable consist of amounts due from the Florida Department of Children and Families. At June 30, 2014, accounts receivable was \$723,556.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of:

Furniture and fixtures	\$	708,415
Office Equipment		185,907
Computer - hardware		2,243,960
Computer - software		950,892
Vehicles		16,825
Leasehold improvements		1,087,331
		<u>5,193,330</u>
Less accumulated depreciation		<u>(4,134,866)</u>
	\$	<u><u>1,058,464</u></u>

**OUR KIDS OF MIAMI-DADE/MONROE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 4 – PROPERTY AND EQUIPMENT, NET (CONTINUED)**

Assets acquired with state funds may revert back to the state at the termination of the DCF contract. Depreciation expense for the year ended June 30, 2014 was \$670,120.

**NOTE 5 – DEFERRED REVENUES**

Deferred revenues consist of \$906,032 in funds received from DCF and other government grants, respectively, which had not been earned at June 30, 2014.

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2014, temporarily restricted net assets consist of:

	2014
Beginning Temporarily Restricted	\$ 545,205
Additions	
Contributions	98,241
Interest income	62
Release of restrictions	(242,455)
Ending Temporarily Restricted	<u>\$ 401,053</u>

For the year June 30, 2014, Our Kids has spent \$242,455 of the monies provided by donors and the balance of temporarily restricted net assets at June 30, 2014 remains in cash and other receivables.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

Lease Commitments

Our Kids leases office space under four operating leases expiring at various dates also through 2019. In addition, Our Kids has copier and equipment leases expiring at various dates through 2019. The minimum future rental payments by year and in the aggregate are:

2015	\$ 860,945
2016	334,161
2017	265,111
2018	72,976
2019	4,200
Total	<u>\$ 1,537,393</u>

Our Kids incurred rent expense of \$897,778 for the year ended June 30, 2014.

Grant Contracts

The recorded government contract revenues are subject to audit and adjustment. If any expenditure is disallowed by the grantor agency as a result of such an audit, any claim for reimbursement would become a liability of Our Kids. In the opinion of management, all grant expenditures were made in compliance with the terms of the grants or contracts and applicable federal and state laws and regulations.

**OUR KIDS OF MIAMI-DADE/MONROE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Litigation

Our Kids is subject to claims and lawsuits in the ordinary course of its business. In the opinion of management, Our Kids has adequate legal defenses and/or adequate indemnification or insurance coverage for such matters. As such, management believes that such matters will not, in the aggregate, have a material adverse impact upon the Our Kid's financial position, results of future operations or cash flows.

**NOTE 8 – DUE TO CLIENTS – SOCIAL SECURITY BENEFITS**

Our Kids acts as a representative payee for social security benefits on behalf of children who are in custody of the State of Florida. The benefits are managed by Our Kids to ensure that the children's current and foreseeable needs are being provided. The benefits in excess of current needs requirements are held in escrow in an interest bearing account with a financial institution. As of June 30, 2014, funds for clients consisted of \$323,368.

**NOTE 9 – ECONOMIC DEPENDENCE**

Our Kids provides its program services with funds received from the Federal Government, State of Florida, and Miami-Dade County. A significant reduction in the level of this funding, if this were to occur, may have an effect on Our Kids programs and activities. Our Kids receives the majority of its funding from the Florida Department of Children and Families (DCF). Our Kids has a five year contract with DCF expiring on June 30, 2019. Revenues received under contracts with DCF represent 99% of Our Kids support and revenue for the fiscal year ended June 30, 2014.

**NOTE 10 – 401(k) PLAN CONTRIBUTIONS**

Our Kids has a 401(k) plan covering substantially all of its employees. During the year ended June 30, 2014, Our Kids contributed \$207,079 to the 401(k) plan. Benefits under the 401(k) plan generally depend on length of service and remuneration.

**NOTE 11 – GOING CONCERN**

Our Kids' incurred a loss from operations in fiscal year 2014 due to an unprecedented increase of children in care. Our Kids has requested additional funding from its primary funding source, The Department of Children and Families (DCF). If Our Kids does not receive an increase in funding from DCF, it would not be able to continue operating as a going concern.

Our Kids' management has evaluated their operations subsequent to the date of the financial statements and is in discussion with DCF to secure further funding. In addition, management restructured the Organization and reduced staffing. Contracts that are not part of the core responsibilities of Our Kids have been terminated. Management continues to work with providers to reduce expenses while ensuring that all core services are being performed to the appropriate standards.

ADDITIONAL INFORMATION

**INDEPENDENT AUDITORS' REPORT ON MANAGEMENT DISCUSSION AND  
ANALYSIS**

Board of Directors  
Our Kids of Miami-Dade/Monroe, Inc.  
Miami, Florida

Management's discussion and analysis information on page 12 is presented to supplement the basic financial statements. Such information is not a part of the basic financial statements. We have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
January 26, 2015

**OUR KIDS OF MIAMI-DADE/MONROE, INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS OF CERTAIN FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**MANAGEMENT DISCUSSION AND ANALYSIS OF CERTAIN FINANCIAL STATEMENTS**

Although not required by generally accepted accounting principles, management provides the following to enhance the understanding of the financial statements and additional information:

- **Going Concern**
  - As a result of an unprecedented increase of children in care, Our Kids is facing a short fall in revenue within the coming year.
  - Management is currently in discussions with DCF to secure further funding. In addition, subsequent to year-end management has significantly reduced expenses and is working with providers to ensure that core services continue to be performed.
  
- **Statement of Financial Position**

Cash and equivalents at June 30, 2014 decreased compared to prior year due to more payments caused by a 32% increase in the population served.

  - Accounts receivable increased approximately \$723,000 as of June 30, 2014 due to additional funding from DCF designated in June 2014.
  - Deferred Revenues as of June 30, 2014 decreased due to recognition of \$1.9 million, which in turn increased revenue for FY 13-14. The deferred revenue balance of approximately \$906,000 is expected to be recognized in FY 2015.
  
- **Statement of Functional Expenses**
  - Provider programs increased from the prior year due to the 32% growth in the population served.
  - Salaries, Taxes and Benefits increased over the prior year due to the hiring of a Chief Operating Officer and new positions in the Intake, Nurse Case Management, Quality Assurance and Foster and Adoptive Parent Training. In addition, we had an increase in Health insurance and employee training & development.
  - Insurance expense increased as compared to prior year due to a \$450,000 increase in the General Liability insurance premium.
  - Conference and Travel increased over the prior year due to Foster and Adoptive Parents Town Hall meetings, employee training.
  - Professional services increased over the prior year due to the Foster Parents recruitment advertising, CEO search and professional services related to the System of Care Review and the grant with the Department of Health and Human Services.

**SUPPLEMENTARY INFORMATION**

**OUR KIDS OF MIAMI-DADE/MONROE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014 (With Comparative Totals for the Year Ended June 30, 2013)**

	2014			Comparative
	Program Services	Supporting Services	Total	Totals 2013
Provider programs	\$ 84,796,744	\$ -	\$ 84,796,744	\$ 82,425,753
Salaries, taxes, and benefits	9,071,309	2,186,829	11,258,138	10,686,210
Conferences and travel	422,590	38,290	460,880	373,636
Depreciation and amortization	670,120	-	670,120	673,620
FF&E, software expendable	46,767	93,885	140,652	74,866
Insurances	627,815	185,004	812,819	328,619
Licenses and dues	56,730	1,565	58,295	48,120
Miscellaneous	128,572	2,731	131,303	134,638
Office and supplies	63,819	14,331	78,150	69,609
Postage and delivery	59,424	7,149	66,573	61,218
Printing	27,983	3,758	31,741	23,027
Professional services	1,423,068	526,246	1,949,314	1,649,833
Rent	820,834	76,944	897,778	850,502
Repairs and maintenance	95,661	186,934	282,595	282,072
Telecommunications	501,604	31,295	532,899	557,098
	<u>\$ 98,813,040</u>	<u>\$ 3,354,961</u>	<u>\$ 102,168,001</u>	<u>\$ 98,238,821</u>

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

**OUR KIDS OF MIAMI-DADE/MONROE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE AND NOTES THERETO**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Program Title	CFDA / CSFA Number	Contract Number	Expenditures	Transfers to Subrecipients
<b>U.S. Department of Health and Human Services</b>				
<i>Pass-through from Florida Department of Children and Families:</i>				
Temporary Assistance For Needy Families Block Grant	93.558	KJ114	\$ 7,113,217	\$ 6,647,044
Grants To States For Access And Vistitation Programs	93.597	KJ114	33,326	33,326
Chafee Education And Training Vouchers Program (ETV)	93.599	KJ114	658,214	-
Child Welfare Services-State Grants	93.645	KJ114	1,229,660	1,149,235
Promoting Safe And Stable Families	93.556	KJ114	2,388,671	2,388,671
Foster Care-Title IV-E	93.658	KJ114	17,893,843	17,301,181
Adoption Assistance	93.659	KJ114	11,905,718	2,895,472
Social Services Block Grant	93.667	KJ114	4,487,779	4,487,779
Child Abuse and Neglect State Grants	93.669	KJ114	156,494	146,456
Chafee Foster Care Independence Program	93.674	KJ114	1,710,319	855,492
Medical Assistance Program	93.778	KJ114	221,092	221,092
Promoting Safe And Stable Families-IV-B	93.556	KJ114	139,916	130,746
Adoption Incentive Payments	96.603	KJ114	141,936	-
Total Federal Awards			\$ 48,080,185	\$ 36,256,494
<b>Florida Department of Children and Families</b>				
In Home	60.074	KJ114	\$ 5,865,640	\$ 5,480,454
Out of Home	60.075	KJ114	19,148,846	15,873,959
Independent Living	60.112	KJ114	4,786,139	2,728,704
Total State Financial Assistance			\$ 29,800,625	\$ 24,083,117
<b>Total Federal Awards and State Financial Assistance</b>			<b>\$ 77,880,810</b>	<b>\$ 60,339,611</b>

The accompanying note is an integral part of these financial statements.

**OUR KIDS OF MIAMI-DADE/MONROE, INC.**  
**NOTE TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE AND FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**1. General**

The accompanying Schedules of State Financial Assistance and Federal Awards (the “Schedules”) presents the activity of all state and federal award programs of Our Kids of Miami-Dade/Monroe, Inc. for the year ended June 30, 2014. 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 Government, and Non-Profit Organizations and Chapter 10.650, Rules of the Auditor General.

**2. Basis of Accounting**

The accompanying Schedules are presented on the accrual basis of accounting.

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*

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The Board of Directors of  
Our Kids of Miami-Dade/Monroe, 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 Our Kids of Miami-Dade/Monroe, Inc. ("Our Kids"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Our Kids' internal control over financial reporting 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 Our Kids' internal control. Accordingly, we do not express an opinion on the effectiveness of Our Kids' 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 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. 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 Our Kids' 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  
January 26, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND STATE  
PROJECT AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

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Board of Directors  
Our Kids of Miami-Dade/Monroe, Inc.  
Miami, Florida

**Report on Compliance for Each Major Federal Program and State Project**

We have audited Our Kids of Miami-Dade/Monroe, Inc.'s ("Our Kids"), 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 Our Kids' major Federal programs and State projects for the year ended June 30, 2014. Our Kids' 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 Our Kids' 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 Our Kids' 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 Our Kids' compliance.

### ***Opinion on Each Major Federal Program and State Project***

In our opinion, Our Kids 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 Our Kids 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 Our Kids' 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 Our Kids' 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  
January 26, 2015

**OUR KIDS OF MIAMI-DADE/MONROE, INC.  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS –  
 FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE  
 FOR THE YEAR ENDED JUNE 30, 2014**

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**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

***Federal Awards***

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Internal control over major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  yes  no

Identification of major federal programs:

<b>Name of Federal Program or Cluster</b>	<b>CFDA Number(s)</b>	<b>Expenditures</b>
U.S. Department of Health and Human Services		
Promoting Safe and Stable Families	93.556	\$ 2,388,671
Temporary Assistance for Needy Families	93.558	\$ 7,113,217
Foster Care –Title IV-E	93.658	\$ 17,893,843
Adoption Assistance	93.659	\$ 11,905,718
Social Services Block Grant	93.667	\$ 4,487,779
Independent Living	93.674	\$ 1,710,319

Dollar threshold used to distinguish between type A and type B projects. \$ 1,442,406

Auditee qualified as low-risk auditee?  yes  no



**OUR KIDS OF MIAMI-DADE/MONROE, INC.  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS –  
FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

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

None

**SECTION IV - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS**

None

**SECTION V – OTHER ISSUES**

1. A management letter was issued and reported to management in a separate letter dated January 26, 2015.
2. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings relating to Federal award 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.

**OUR KIDS OF MIAMI-DADE/  
MONROE, INC.**

MANAGEMENT LETTER

JUNE 30, 2014

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## MANAGEMENT LETTER

To the Board of Directors of  
Our Kids of Miami-Dade/Monroe, Inc.  
Miami, Florida

We have audited the financial statements of Our Kids of Miami-Dade/Monroe, Inc., (“Our Kids”) as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated January 26, 2015.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor’s Report on Compliance and Internal Control Over Financial Reporting, Independent Auditor’s Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Awards Program and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 26, 2015, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In addition, for matters that are inconsequential, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements or major State projects; (2) improper expenditures or illegal acts that would not materially affect the financial statements or major State projects; (3) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. We did not identify any matters which require disclosure in accordance with the Rules of the Auditor General.

In planning and performing our audit of the financial statements of Our Kids as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Our Kids internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Our Kids internal control. Accordingly, we do not express an opinion on the effectiveness of Our Kids internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Generally accepted auditing standards require auditors to communicate *material weaknesses* and *significant deficiencies* in internal control that they become aware of during the audit. Generally accepted auditing standards do not require auditors to communicate *management points*. Our firm's policy requires us to inform you of any *management points* discovered during our audit.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting standards generally accepted in the United States of America such that there is more than a remote likelihood reasonably possible or probable that a misstatement of the entity's financial statements that is more than inconsequential if a reasonable person would conclude, after considering the possibility of further undetected misstatements, that the misstatement, either individually or when aggregated with other misstatements, would clearly be immaterial to the financial statements, considering both quantitative and qualitative factors will not be prevented or detected. A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. A *management point* is an observation and/or a suggestion regarding the organization's activities that go beyond internal control related matters.

The following summarizes the results of our audit for the year ended June 30, 2014:

Material Weakness Identified	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Management Point Identified	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

This report is intended solely for the information and use of the Board of Directors, management, and others within Our Kids and is not intended to be and should not be used by anyone other than these specified parties.

  
VERDEJA & DE ARMAS LLP

Coral Gables, Florida  
January 26, 2015

**OUR KIDS OF MIAMI-DADE/MONROE, INC.  
RECOMMENDATIONS AND OBSERVATIONS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**CASH BALANCES**

Observation

As of June 30, 2014, Our Kids total cash balance was \$7,914,168 and average monthly expenses were \$8,514,000. As a result, the Organization has less than 1 month's worth of cash available to cover expenses.

Recommendation

The Organization must develop other sources of support and revenue, such as contributions and special events, to improve its unrestricted cash position.

Management Response

Our Kids' Management and Board of Trustees share your concern and work diligently to control costs and use our resources wisely. We are currently working with the Florida Department of Children & Families (DCF) for additional funding and we are pursuing grants to enhance and meet our business model goals.