

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

FINANCIAL STATEMENTS,
INDEPENDENT AUDITOR'S
REPORT, AND SUPPLEMENTARY
INFORMATION

FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT.	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities.	4
Statements of Cash Flows	5
Statements of Functional Expenses.	6-7
Notes to Financial Statements	8-20
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of State Financial Assistance	21
Notes to Schedule of Expenditures of State Financial Assistance.	22
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 <i>Government Auditing Standards</i>	23-24
Independent Auditor’s Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, Rules of the Auditor General. .	25-26
Schedule of Findings and Questioned Costs.	27-29



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Florida Keys Children's Shelter, Inc.
Tavernier, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Keys Children's Shelter, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020, 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 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 2020 financial statements referred to above present fairly, in all material respects, the financial position of Florida Keys Children’s Shelter, Inc. (the “Organization”) as of June 30, 2020, 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.

Prior Period Financial Statements

The financial statements of Florida Keys Children’s Shelter, Inc. as of June 30, 2019, were audited by other auditors whose report dated March 20, 2020, expressed an unmodified opinion on those statements.

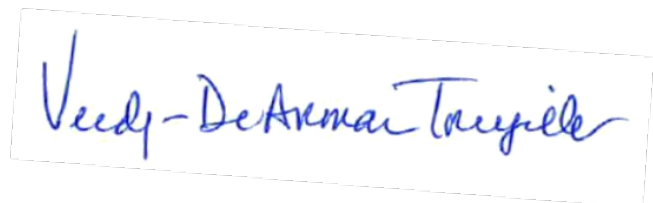
Other Matters

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 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 December 18, 2020, 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.

A handwritten signature in blue ink, reading "Veedy-DeArmas Touyelle", enclosed in a rectangular box with a dashed border.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 18, 2020

FLORIDA KEYS CHILDREN'S SHELTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 543,018	\$ 553,570
Grants and contracts receivable	125,754	102,048
Prepaid expenses	60,113	60,113
Investments	716,580	692,706
TOTAL CURRENT ASSETS	<u>1,445,465</u>	<u>1,408,437</u>
PROPERTY AND EQUIPMENT, NET	<u>591,216</u>	<u>674,970</u>
TOTAL ASSETS	<u><u>\$ 2,036,681</u></u>	<u><u>\$ 2,083,407</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,084	\$ 45,394
Accrued expenses	178,373	231,441
Deferred grant revenue	26,900	67,297
TOTAL CURRENT LIABILITIES	<u>214,357</u>	<u>344,132</u>
TERM LOAN PAYABLE	<u>303,199</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>517,556</u></u>	<u><u>344,132</u></u>
NET ASSETS		
Without donor restrictions (including \$63,890 of board-designated endowment funds at June 30, 2020 and 2019)	<u>1,519,125</u>	<u>1,739,275</u>
TOTAL NET ASSETS	<u><u>1,519,125</u></u>	<u><u>1,739,275</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,036,681</u></u>	<u><u>\$ 2,083,407</u></u>

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

FLORIDA KEYS CHILDREN’S SHELTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
PUBLIC SUPPORT AND REVENUES		
WITHOUT DONOR RESTRICTIONS:		
State financial assistance	\$ 855,153	\$ 860,714
Local and other grants	209,021	587,176
Federal awards	585,922	342,593
Contributions	405,275	357,819
Special events	-	61,928
In-kind contributions	103,000	103,908
Other Income	21,266	-
Investment income, net	17,017	33,055
	<u>2,196,654</u>	<u>2,347,193</u>
TOTAL SUPPORT AND REVENUES		
EXPENSES:		
Program services	\$ 2,148,246	\$ 2,005,825
Support services	268,558	364,346
	<u>2,416,804</u>	<u>2,370,171</u>
TOTAL EXPENSES		
CHANGE IN NET ASSETS	(220,150)	(22,978)
NET ASSETS - BEGINNING OF YEAR	<u>1,739,275</u>	<u>1,762,253</u>
NET ASSETS - END OF YEAR	<u>\$ 1,519,125</u>	<u>\$ 1,739,275</u>

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

FLORIDA KEYS CHILDREN'S SHELTER, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (220,150)	\$ (22,978)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	84,471	80,802
Net realized/unrealized gains on investments	(17,017)	(21,492)
(Increase) decrease in assets:		
Grants and contracts receivable	(23,706)	28,092
Prepaid expenses	-	(14,947)
Increase (Decrease) in liabilities:		
Accounts payable	(36,310)	29,518
Accrued expenses	(53,068)	35,284
Deferred grant revenue	(40,397)	67,297
TOTAL ADJUSTMENTS	(86,027)	204,554
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(306,177)	181,576
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(717)	(70,907)
Net purchases on investments	(6,857)	(123,065)
NET CASH USED IN INVESTING ACTIVITIES	(7,574)	(193,972)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from term loan	303,199	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	303,199	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,552)	(12,396)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	553,570	565,966
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 543,018	\$ 553,570

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

FLORIDA KEYS CHILDREN'S SHELTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services								Supporting Services		Total	
	Jelsema Emergency Shelter	Jelsema CINS/FINS Temporary Shelter	Poinciana Emergency Shelter	Poinciana Group Home	Community Based Counselors	Jelsema Counselors	Educational Evidence Based Counseling	Project Lighthouse	Jelsema Runaway and Homeless Shelter	Management and General		Fundraising
Salaries	\$ 57,463	\$ 520,755	\$ 48,073	\$ 65,970	\$ 201,658	\$ 48,526	\$ 97,678	\$ 107,342	\$ 169,220	\$ 125,060	\$ 44,683	\$ 1,486,428
Payroll taxes and employee benefits	5,266	47,721	12,823	12,823	17,097	4,274	12,823	12,288	15,400	10,342	2,684	153,541
Total personnel expenses	62,729	568,476	60,896	78,793	218,755	52,800	110,501	119,630	184,620	135,402	47,367	1,639,969
Building occupancy	4,284	36,848	10,077	10,077	13,356	3,520	10,077	9,668	11,520	4,918	3,279	117,624
Professional services	1,796	15,450	4,225	4,225	5,600	1,476	4,225	4,053	4,830	2,062	1,375	49,317
Travel and transportation	1,065	9,157	2,504	2,504	3,319	875	2,504	2,402	2,863	1,222	815	29,230
Equipment costs	200	1,814	-	-	-	-	-	-	584	-	-	2,598
Food services	2,440	22,110	10,638	17,126	79	-	914	1,883	7,135	781	-	63,106
Medical and pharmacy	9	336	-	-	-	-	-	-	25	-	-	370
Special events	-	-	-	-	-	-	-	-	-	-	50,944	50,944
Insurance	4,795	41,241	11,279	11,279	14,948	3,939	11,279	10,820	12,893	5,504	3,670	131,647
Operating supplies and expenses	20,647	133,962	6,557	6,557	8,691	2,290	6,557	6,291	50,643	3,200	2,133	247,528
Depreciation	3,076	26,462	7,237	7,237	9,592	2,528	7,237	6,943	8,273	3,532	2,354	84,471
Total operating expenses	38,312	287,380	52,517	59,005	55,585	14,628	42,793	42,060	98,766	21,219	64,570	776,835
TOTAL EXPENSES	\$ 101,041	\$ 855,856	\$ 113,413	\$ 137,798	\$ 274,340	\$ 67,428	\$ 153,294	\$ 161,690	\$ 283,386	\$ 156,621	\$ 111,937	\$ 2,416,804

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

FLORIDA KEYS CHILDREN'S SHELTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services								Supporting Services		Total	
	Jelsema Emergency Shelter	Jelsema CINS/FINS Temporary Shelter	Poinciana Emergency Shelter	Poinciana Group Home	Community Based Counselors	Jelsema Counselors	Educational Evidence Based Counseling	Project Lighthouse	Jelsema Runaway and Homeless Shelter	Management and General		Fundraisin g
Salaries	\$ 53,274	\$ 482,798	\$ 65,590	\$ 65,590	\$ 202,912	\$ 51,362	\$ 61,080	\$ 95,544	\$ 156,971	\$ 125,060	\$ 47,819	\$ 1,408,000
Payroll taxes and employee benefits	5,669	51,376	13,805	13,805	18,406	4,602	13,802	13,229	16,579	10,713	4,280	166,266
Total personnel expenses	58,943	534,174	79,395	79,395	221,318	55,964	74,882	108,773	173,550	135,773	52,099	1,574,266
Building occupancy	10,825	96,103	10,213	10,213	13,536	3,476	10,213	9,798	30,637	4,984	3,323	203,321
Professional services	1,125	9,681	2,647	2,647	3,509	925	2,647	2,540	3,027	1,292	861	30,901
Travel and transportation	1,015	9,201	-	-	2,769	35	5,276	198	2,969	21,155	1,774	44,392
Equipment costs	211	1,911	-	-	-	-	-	-	617	-	-	2,739
Food services	2,005	18,217	20,424	14,685	-	-	745	961	5,888	4,214	-	67,139
Medical and pharmacy	122	5,325	3,894	4,061	-	-	14	1,841	357	562	-	16,176
Special events	-	-	-	-	-	-	-	-	-	-	39,257	39,257
Insurance	5,683	48,887	13,370	13,370	17,720	4,670	13,370	12,826	15,284	6,525	4,350	156,055
Operating supplies and expenses	720	6,521	21,826	24,138	1,887	-	2,449	12,930	2,105	58,356	24,191	155,123
Depreciation	2,943	25,313	6,923	6,923	9,174	2,418	6,923	6,641	7,914	3,378	2,252	80,802
Total operating expenses	24,649	221,159	79,297	76,037	48,595	11,524	41,637	47,735	68,798	100,466	76,008	795,905
TOTAL EXPENSES	\$ 83,592	\$ 755,333	\$ 158,692	\$ 155,432	\$ 269,913	\$ 67,488	\$ 116,519	\$ 156,508	\$ 242,348	\$ 236,239	\$ 128,107	\$ 2,370,171

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

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Florida Keys Children's Shelter, Inc. (the "Organization"), is a not-for-profit organization incorporated in the State of Florida on November 21, 1985. The specific and primary purposes of the Organization is to operate for the advancement of the well-being of abused and runaway children and other charitable purposes, by the distribution of its funds for such purposes, particularly for the operation of shelter for abused and runaway children. The following is a summary of the Organization's main programs:

Emergency Shelter Services - Tavernier

The Organization operates a nineteen-bed shelter for youths 10 to 17 years of age in Plantation Key, Florida (Jelsema Center), for abused, abandoned, and neglected youths who may be in the temporary custody of Wesley House Family Services (2+ beds), non-delinquent youths who may be voluntary or court-ordered Children and Families in Need of Services (CINS/FINS, 6 beds), and U.S. Department of Health and Human Services (HHS) Basic Center Grant for homeless runaway youths (2-5 beds). The Organization provides 24-hour supervision, basic shelter care, case management, counseling, recreation, clothing, transportation and other items.

Educational Evidence Based Counseling

This program is focused on skilled facilitators working with small groups of children. Children socialize, act, play games, have fun, and eat while developing skills in emotional self-regulation and behavioral control. Meanwhile, parents or guardians learn ways to help their child or children. This program also has classroom based sessions within schools with the same focus as the small groups. The program is provided free of charge, takes place over 13-weeks, provides dinner for the entire family, and provides supervised childcare for siblings.

Runaway and Homeless Youth Street Outreach

This model program, funded through the U.S. Department of Health and Human Services, Administration for Children, Youth and Families, Runaway and Homeless Youth Program, provides basic health and safety information to street youth, counseling, case management, opportunities for re-connecting or reunification with families, life skills development, preparation, and entry into employment.

Children and Families in Need of Services

This program is designed primarily to provide to youth and families an array of services, from voluntary or court ordered intensive community-based individual and family counseling, case management, and group counseling services through temporary residential services (see Emergency Shelter - Tavernier above). An additional component of the community-based counseling program is the provision of anger management classes for youth.

Poinciana

The Organization operates two programs in Key West, Florida at Poinciana, a former Navy property now under the operation of the Key West Housing Authority.

Emergency Shelter- This seven-bed program, under contract with Wesley House Family Services, serves abused, abandoned and neglected children ages 0-10. The program provides 24-hour supervision provided by live-in house parents. Counseling is provided by a contract between Wesley House Family Services and the Care Center for Mental Health.

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

Organization (Continued)

Poinciana (Continued)

Residential Group Home - This seven-bed program, under contract with Wesley House Family Services, serves abused, abandoned and neglected youths 11-17 years of age who need long-term residential care. The program provides 24-hour supervision provided by live-in house parents. Counseling is provided by a contract between Wesley House Family Services and the Care Center for Mental Health.

Basis of Accounting and Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America. Resources are classified for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

- Net assets without donor restrictions: The portion of the net assets of the Organization that can be used subject only to the broad limits resulting from the nature of the organization, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws. In some cases, the use of these resources is also subject to limits resulting from contractual agreements with suppliers, creditors, and others entered into by the Organization in the course of its business. The Organization has the greatest ability to choose when using these resources. Net assets without donor restrictions generally result from contributions and support that are not subject to donor-imposed restrictions, and income from investing excess operating cash, reduced by expenses incurred in providing services, raising contributions, and performing administrative functions.
- Net assets with donor restrictions: The portion of the net assets of the Organization that is subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit the Organization's choices when using these resources because the Organization has a fiduciary responsibility to its donors to follow the donor's instructions. Net assets with donor restrictions generally result from donor-restricted contributions. There were no net assets with donor restrictions at June 30, 2020 and 2019.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires the Organization's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and money market accounts with maturity of three months or less unless they are included within investments.

Investments and Investment Income

Investments are carried at fair value determined by quoted market values. Investment income (including gains on investments, interest, and dividends) are included in the Statements of Activities.

FLORIDA KEYS CHILDREN’S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

Property and Equipment

Property and equipment are recorded at cost at the date of purchase or, if donated, at the estimated fair value at the date of the donation. Depending on donor restrictions, donated plant assets are included in permanently restricted, temporarily restricted, or unrestricted net assets. Additions and major improvements are capitalized, and repairs and maintenance costs are expensed. Upon retirement or sale, any resulting gain or loss is recognized in the appropriate period. Depreciation is computed using the straight-line method over the following estimated lives of assets:

	<u>Years</u>
Building and improvements	5-39
Equipment	3-7
Office furniture and equipment	5
Transportation equipment	5

Property and equipment acquired with government grantor funds are capitalized. However, the government grantor agencies maintain a reversionary interest in such assets acquired with their funds, which includes the determination of use of any proceeds derived from the sale of those assets.

Long-Lived Assets

The Organization reviews its long-lived assets for possible impairment at least annually, and more frequently if circumstances warrant. Impairment is determined to exist when estimated amounts recoverable through future cash flows from operations on an undiscounted basis are less than the long-lived asset carrying values. If a long-lived asset is determined to be impaired, it is written down to its estimated fair value to the extent that the carrying amount exceeds the fair value of the long-lived asset. No write-downs for impairment of long-lived assets were recorded for the years ended June 30, 2020 and 2019.

Prepaid Expenses

Prepaid expenses are comprised mainly of prepaid insurance.

Grants and Contract Revenues

The Organization receives substantially all of its grants and contract revenues from federal, state and local agencies. Revenues from federal, state and local agency grants and contracts are recorded based upon terms of the grant agreements which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred or the allowable services are provided to program participants. Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is based on management's review of the collectability of receivables. No allowance for doubtful accounts was considered necessary as of June 30, 2020 and 2019.

Deferred Grant Revenue

Deferred grant revenue consists of cash received in advance from grantors. The Organization will recognize revenue from the grants when the specific grant function is performed.

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

Contributions

Contributions received are recorded as with donor restrictions or without donor restrictions support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Contributed Facilities, Goods and Services

The Organization leases land from Monroe County on which the residential shelter was constructed and apartments from the Key West Housing Authority for two child/youth residential programs. Both of these leases are for \$1.00 per year. In addition, the Monroe County Organization Board provides office space for the Organization's counseling program. Donated facilities for each of the years ended June 30, 2020 and 2019 totaled approximately \$103,000 and is reflected under the caption "In-kind contributions" in the Statements of Activities.

The Organization records only those contributed services which are a significant and integral part of the efforts of the Organization and would have to be provided by outside vendors or personnel had the services not been contributed. Additionally, those services must fall under the control of the Organization's management and have a clearly measurable basis of valuation. There were no contributed services during the years ended June 30, 2020 and 2019.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be directly identified with the program or supporting service are reported as expenses of those functional areas. Other expenses are allocated among program and supporting services based on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of time and effort.

Income Taxes

The Organization is a not-for-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is classified as an organization that is not a private foundation under Section 509(a) of the IRC. As a result, the financial statements do not reflect a provision for income taxes.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction is the major tax jurisdiction where the Organization files income tax returns. The Organization is generally no longer subject to U.S. Federal examinations by tax authorities for the fiscal years before 2017.

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

Concentrations and Credit Risk

The Organization receives a significant portion of its revenue from federal, state and local governmental agencies. If a significant reduction in the level of funding were to occur, it would have an adverse effect on the Organization's ability to continue operating the programs and services being provided. One grantor accounted for approximately 61% and 62% of grants and contracts receivable at June 30, 2020 and 2019, respectively. Additionally, one grantor accounted for approximately 41% and 37% of total revenue and support for the years ended June 30, 2020 and 2019, respectively.

Financial instruments which potentially subject the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents, investments, and grants receivable. Accounts in each institution are insured by the Federal Deposit Insurance Corporation in accordance with current regulations, which provides for insurance up to \$250,000. Cash equivalents are maintained at high-quality financial institutions. Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. Credit risk with respect to grants receivable is mitigated by the taxing authority of the Federal, state and local governmental agencies funding the programs

Adopted Accounting Pronouncement

Presentation of Financial Statements of Not-for-Profit Entities

During the year ended June 30, 2020, the Organization adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method.

The Organization has applied the update retrospectively to all periods presented and adjusted the presentation of these financial statements accordingly. As a result, the Organization has reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions, as well as, temporarily restricted and permanently restricted net assets to net assets with donor restrictions. The adoption of this update has no other material effect on the Organization's financial position and changes in net assets. In addition, the Organization has elected to continue to present the statements of cash flows using the indirect method and has continued to include separate statements of functional expenses in its financial statements.

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The Organization is currently evaluating the effect the update will have on its financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. In addition, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections. The Organization is currently evaluating the effect the update will have on its financial statements.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the Organization's presentation of comparative periods in the financial statements will continue to be in accordance with current lease accounting. The Organization is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021, with early application permitted.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its financial statements.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued an accounting standard update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

Reclassifications

Certain balances reported in the financial statements for the year ended June 30, 2019, have been reclassified to conform to the presentation for the year ended June 30, 2020.

Subsequent Events

The Organization has evaluated subsequent events through December 18, 2020 which is the date the financial statements were available to be issued. (See Note 10).

NOTE 2 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net at June 30, 2020 and 2019, is summarized as follows:

	2020	2019
Building and improvements	\$ 1,390,625	\$ 1,389,909
Equipment	134,832	134,832
Office furniture and equipment	217,948	217,948
Transportation equipment	270,645	270,645
	<u>2,014,050</u>	<u>2,013,334</u>
Less: accumulated depreciation	(1,422,834)	(1,338,364)
	<u>\$ 591,216</u>	<u>\$ 674,970</u>

Depreciation expense for the year ended June 30, 2020 and 2019 amounted to \$84,471 and \$80,802, respectively.

NOTE 3 – INVESTMENTS

Investments at fair value consist of the following at June 30, 2020 and 2019:

	2020	2019
Mutual funds	\$ 374,360	\$ 16,701
Fixed income and other	10,342	302,666
Equity funds	331,878	373,339
	<u>\$ 716,580</u>	<u>\$ 692,706</u>

The following summarizes the investment income, net, for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 10,901	\$ 11,563
Net realized gains	15,798	29,470
Management fees	(9,682)	(7,978)
	<u>\$ 17,017</u>	<u>\$ 33,055</u>

FLORIDA KEYS CHILDREN’S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4 – FAIR VALUE MEASUREMENTS

The FASB established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mutual funds, fixed income and equity fund investments are valued at the closing price reported in the active market in which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value on a recurring basis at June 30, 2020 and 2019.

Description	Fair Value June 30, 2020	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Mutual funds	\$ 374,360	\$ 374,360	\$ -	\$ -
Fixed income and other	10,342	10,342	-	-
Equity funds	331,878	331,878	-	-
	<u>\$ 716,580</u>	<u>\$ 716,580</u>	<u>\$ -</u>	<u>\$ -</u>

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

Description	Fair Value June 30, 2019	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Mutual funds	\$ 16,701	\$ 16,701	\$ -	\$ -
Fixed income	302,666	302,666	-	-
Equity funds	373,339	373,339	-	-
	<u>\$ 692,706</u>	<u>\$ 692,706</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization had previously entered into an agreement to lease the parcel of land on which the residential shelter was constructed for the annual rental of one dollar. On October 19, 2011, the lease was amended to extend the period of the lease to twenty-five years through October 18, 2036 with the same annual rental of one dollar.

In May 2000, the Organization entered into an agreement to lease apartments in which the Poinciana program is located for a period of fifty years for an annual rent of one dollar. The parties may extend the term of the lease as long as the extension is consistent with the master lease and the Key West City Charter and Ordinance.

Total in-kind expense related to these leases, along with other certain donated facilities, was approximately \$103,000 for each of the years ended June 30, 2020 and 2019, and is included in the caption "Building occupancy" in the accompanying Statements of Functional Expenses.

The Organization leases additional office space under an operating lease that extends through October 2020. Rent expense under this lease for each of the years ended June 30, 2020 and 2019 was approximately \$15,000 and is included in the caption "Building occupancy" in the accompanying Statements of Functional Expenses. Future minimum rental payments as of June 30, 2020 are approximately as follows for the years ending June 30:

Year	Minimum Lease
2021	\$ 5,300
Total	<u>\$ 5,300</u>

Litigation

The Organization may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial statements or results of operations.

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 – PENSION PLAN

The Organization sponsors a Simple IRA Plan covering all employees who elect to participate. Under the Plan, the Organization contributes the lesser of 3% of the participant's wages or the participant's contribution. The Organization's contribution for the years ended June 30, 2020 and 2019 was approximately \$14,000 and \$19,000, respectively.

NOTE 7 – ENDOWMENT

The Organization's endowment consists of an individual fund designated by the Board of Directors established to support the mission of the Organization. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Organization has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by the FUPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

For the years ended June 30, 2020 and 2019, the Organization has elected not to add appreciation for cost of living or other spending policies to any donor restricted endowments for inflation and other economic conditions. There were no such endowments for the years ended June 30, 2020 and 2019.

Summary of endowment net assets at June 30, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 63,890	\$ -	\$ 63,890
	<u>\$ 63,890</u>	<u>\$ -</u>	<u>\$ 63,890</u>

FLORIDA KEYS CHILDREN’S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 7 – ENDOWMENT (Continued)

Changes of endowment net assets for the year ended June 20, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 63,890	\$ -	\$ 63,890
Investment income	1,517	-	1,517
Amounts appropriated for expenditure	(1,517)	-	(1,517)
Endowment net assets, ending	<u>\$ 63,890</u>	<u>\$ -</u>	<u>\$ 63,890</u>

Changes of endowment net assets for the year ended June 20, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 63,890	\$ -	\$ 63,890
Investment income	3,019	-	-
Amounts appropriated for expenditure	(3,019)	-	-
Endowment net assets, ending	<u>\$ 63,890</u>	<u>\$ -</u>	<u>\$ 63,890</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies in the endowment funds as of June 30, 2020 and 2019.

Return Objectives and Risk Parameters

The Organization has adopted investment policies and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets on an inflation-adjusted basis. Endowment assets include those assets of board-designated funds that accumulate until the funds are appropriated for expenditure by the Board.

Strategies Employed for Achieving Objectives

To satisfy investment objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The amounts distributed for spending from the endowment funds shall be used to enhance the well-being of abused and runaway children.

FLORIDA KEYS CHILDREN’S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization maintains an informal policy of structuring its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Organization engages qualified third party investment advisors to invest excess cash net of working capital in instruments as stipulated under the investment policy. The policy is reviewed quarterly by the Investment Committee. Market performance is monitored continuously including review of quarterly reports and watch list of invested funds. Furthermore, the Executive Committee as well as the Board reviews the statements of financial position and statements of activities results periodically.

The Organization's financial assets available within one year of the statement of financial position date for general expenditures as of June 30, 2020 are as follows:

Cash and cash equivalents	\$ 543,018
Grants and contracts receivable	125,754
Investments	716,580
Financial assets	<u>1,385,352</u>
Less: Investments- Board designated endowment fund	<u>(63,890)</u>
Total financial assets available within one year	<u><u>\$ 1,321,462</u></u>

NOTE 9 – NOTES PAYABLE

On April 10, 2020, the Organization received loan proceeds in the amount of \$303,199 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks or at twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week or twenty-four week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The PPP Flexibility Act, passed in June 2020, further extends the deferral of payments based on the timing of forgiveness application. The Organization used the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part. As of June 30, 2020, the Organization has reflected a liability in the amount of \$303,199.

FLORIDA KEYS CHILDREN’S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

NOTE 10– SUBSEQUENT EVENTS

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

SUPPLEMENTARY INFORMATION

FLORIDA KEYS CHILDREN’S SHELTER, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2020

<i>Federal or State Agency/ Program or Project Title Pass Through Agency</i>	CSFA Number	Contract/Grant Number	Expenditures	<i>Transfer to Subrecipients</i>
<u>Expenditures of Federal Awards:</u>				
U.S. Department of Health and Human Services				
Basic Center Program for Monroe County Florida-Jelsema Center Pass-Through Family and Youth Services Bureau	93.623		\$ 151,653	\$ -
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, homeless and Street Youth Pass-Through Family and Youth Services Bureau	93.557		185,927	-
Foster Care-Title IV-E Pass-Through Florida Network of Youth and Family Services	93.658		27,577	-
Pass-Through Citrus Family Care Network	93.658		168,006	-
Program Total			<u>\$ 195,583</u>	<u>\$ -</u>
Social Services Block Grant Pass-Through Citrus Family Care Network	93.667		27,444	-
Total U.S. Department of Health and Human Services			<u>\$ 560,607</u>	<u>\$ -</u>
U.S. Department of Health and Human Services				
National School Lunch Program Pass-Through State of Florida	10.555		9,115	-
Total U.S Department of Agriculture			<u>\$ 9,115</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ 569,722</u>	<u>\$ -</u>
<u>State Financial Assistance:</u>				
State of Florida Department of Juvenile Justice Children and Family in Need of Services(CINS/FINS) The Florida Network Youth and Family Services	80.005		\$ 855,153	\$ -
Total State Financial Assistance			<u>\$ 855,153</u>	<u>\$ -</u>
Total of Expenditures of Federal Awards and State Financial Assistance			<u>\$ 1,424,875</u>	<u>\$ -</u>

See the accompanying notes to the schedule of expenditures of state financial assistance.

FLORIDA KEYS CHILDREN'S SHELTER, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") presents the activity of state grants of the Florida Keys Children's Shelter, Inc. during the year ended June 30, 2020.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule is presented using the accrual basis of accounting.

NOTE 3 - BASIS OF PRESENTATION

The accompanying Schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General of the State of Florida.

NOTE 4 – SUB-RECIPIENTS

None of the expenditures of state financial assistance included in the Schedule were paid or provided to sub-recipients.



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
Florida Keys Children's Shelter, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Keys Children's Shelter, Inc. ("The Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 December 18, 2020.

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.

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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

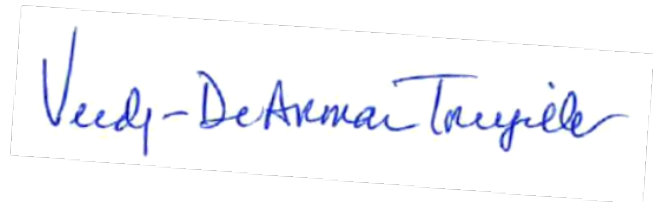
Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Organization's 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*.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Purpose of 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.

A handwritten signature in blue ink, reading "Veedy-DeArman Touyelle", enclosed in a rectangular box with a dashed border.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 18, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR STATE PROJECT AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors of
Florida Keys Children's Shelter, Inc.

Report on Compliance for Each Major State Project

We have audited Florida Keys Children's Shelter, Inc. (the "Organization") compliance with the types of compliance 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 State projects for the year ended June 30, 2020. The Organization's major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its State projects applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Organization's major 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; and Chapter 10.650, Rules of the Auditor General. Those standards, 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 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 State project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major 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 State projects for the year ended June 30, 2020.

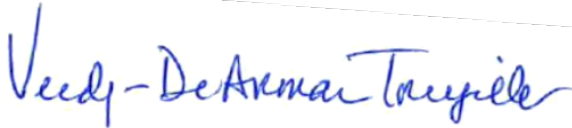
Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, 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 State project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State 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 the type of compliance requirement of a 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 results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 18, 2020

**FLORIDA KEYS CHILDREN’S SHELTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 deficiency(ies) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

State Projects

Type of auditor's report issued on compliance for major state projects: *Unmodified*

Internal control over major state projects:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) 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 Chapter 10.650 “*Rules of the Auditor General*”? yes no

Identification of major state projects:

Name of State Project	CSFA Number	Expenditures
Children and Families in Need of Services (CINS/FINS)	80.005	\$855,153
Dollar threshold used to distinguish between type A and type B projects	\$300,000	
Auditee qualified as low-risk auditee?	N/A	

**FLORIDA KEYS CHILDREN'S SHELTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS

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

SECTION III – FINDINGS AND QUESTIONED COSTS - STATE FINANCIAL ASSISTANCE 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 December 18, 2020.
2. A Summary Schedule of Prior Audit Findings was required and included in page 29.
3. No corrective action plan is required because there were no findings required to be reported under the Uniform Guidance or the Department of Financial Services' State Project Compliance Supplement.

**FLORIDA KEYS CHILDREN’S SHELTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2020**

<u>MATERIAL WEAKNESS/ FINDINGS</u>	<u>DESCRIPTION OF FINDING</u>	<u>STATUS</u>
2018-001 and 2019-001	The Organization's accounting department lacks a sufficient understanding of accounting principles generally accepted in the United States of America ("U.S. GAAP"). This resulted in delays in completing the audit as well as numerous adjustments to the general ledger, which were identified as a result of audit procedures.	Corrective Action Taken
2018-002 and 2019-002	Late submission of state single audit reporting package. State Awarding Agency: Department of Juvenile Justice CSFA Number and Title: 80.005 Children and Families in Need of Services Questioned Cost Amount: None	Corrective Action Taken