

AMIkids, Inc. and Affiliates

COMBINED FINANCIAL STATEMENTS AND SCHEDULES

**Year ended June 30, 2016
(With comparative information for 2015)**



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AMIkids, Inc. and Affiliates
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(With comparative financial information for 2015)

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Independent Auditors' Report

Board of Trustees
AMIkids, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of AMIkids Inc. and Affiliates (the "Organization"), which comprise the statement of financial position as of June 30, 2016, 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.

Auditors' 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 Auditors' 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 AMIkids Inc. and Affiliates as of June 30, 2016, and the changes in its net assets and its functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Financial Statements

As described in Note 11 to the financial statements, prior year accrued expenses and program services expense were restated due to a correction of an error. Our opinion is not modified with respect to that matter.

As part of the audit of the June 30, 2016 financial statements, we also audited the adjustments described in Note 11 that were applied to restate the June 30, 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the June 30, 2015 financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2015 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016 on our consideration of AMIkids Inc. and Affiliates 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 AMIkids Inc. and Affiliates, Inc.'s internal control over financial reporting and compliance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and are 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.

Report on Summarized Comparative Information

The financial statements of AMIkids Inc. and Affiliates as of June 30, 2015, were audited by other auditors whose report dated September 17, 2015, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, except as noted above and in Note 11, with the audited financial statements from which it has been derived.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM

Clearwater, Florida
September 20, 2016



FINANCIAL STATEMENTS

AMIkids, Inc. and Affiliates
Combined Statement of Financial Position
Year ended June 30, 2016
(With comparative financial information for 2015)

	2016	2015, as restated
Assets		
Cash and Cash Equivalents	\$ 9,211,459	\$ 8,792,915
Investments	7,027,138	8,178,833
Endowment investments	263,234	-
Accounts Receivable:		
Funding Agencies	5,011,635	3,451,906
Other	762,750	787,520
Prepaid Expenses and Other Assets	1,381,246	1,603,047
Assets Held for Sale	459,301	1,064,061
Boat Inventory	2,026,250	3,667,195
Boats under Lease	10,581,017	7,115,916
Property and Equipment, Net	10,570,535	10,571,530
Total Assets	\$ 47,294,565	\$ 45,232,923
Liabilities and Net Assets		
Liabilities:		
Lines of Credit	\$ 1,077,000	\$ 1,000,000
Accounts Payable	2,215,091	1,913,007
Accrued Expenses	7,285,700	7,633,616
Accrued Pension	1,889,298	2,259,741
Deferred Revenues	2,177,300	572,272
Security Deposits	2,539,765	1,896,825
Notes Payable	1,381,295	1,668,343
Total Liabilities	18,565,449	16,943,804
Net Assets:		
Unrestricted		
Board designated	238,234	-
Unrestricted	25,488,938	25,245,367
Total unrestricted	25,727,172	25,245,367
Temporarily Restricted	2,919,854	2,986,662
Permanently Restricted	82,090	57,090
Total Net Assets	28,729,116	28,289,119
Total Liabilities and Net Assets	\$ 47,294,565	\$ 45,232,923

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

AMikids, Inc. and Affiliates
Combined Statement of Activities
Year ended June 30, 2016
(With comparative financial information for 2015)

	Unrestricted	Temporarily restricted	Permanently restricted	Totals	
				2016	2015, as restated
Public support and revenue:					
State support:					
Florida	\$ 19,969,278	\$ -	\$ -	\$ 19,969,278	\$ 16,195,843
South Carolina	9,884,369	-	-	9,884,369	9,098,795
Louisiana	1,948,551	-	-	1,948,551	1,686,978
Texas	752,356	-	-	752,356	506,272
North Carolina	2,648,000	-	-	2,648,000	1,500,000
Missouri	717,274	-	-	717,274	-
Georgia	904,829	-	-	904,829	-
Federal support	6,880,768	-	-	6,880,768	7,427,367
Regional support	9,909,360	-	-	9,909,360	10,166,244
Contributions	2,113,479	1,432,941	-	3,546,420	4,317,286
Total public support	55,728,264	1,432,941	-	57,161,205	50,898,785
Revenue:					
Boat program (Note 1)	7,412,903	-	-	7,412,903	9,762,454
Investment income	68,523	3,645	-	72,168	70,977
Other	961,094	-	-	961,094	859,964
Total revenue	8,442,520	3,645	-	8,446,165	10,693,395
Net assets released from restrictions	1,503,394	(1,503,394)	-	-	-
Total public support and revenue	65,674,178	(66,808)	-	65,607,370	61,592,180
Expenses:					
Program services	52,408,127	-	-	52,408,127	44,577,386
Management and general	6,155,565	-	-	6,155,565	5,620,118
Fundraising	402,154	-	-	402,154	406,361
Boat program	6,201,527	-	-	6,201,527	7,573,430
Total expenses	65,167,373	-	-	65,167,373	58,177,295
Change in net assets	506,805	(66,808)	-	439,997	3,414,885
Asset transfer	(25,000)	-	25,000	-	-
Net assets, beginning of year	25,245,367	2,986,662	57,090	28,289,119	24,874,234
Net assets, end of year	\$ 25,727,172	\$ 2,919,854	\$ 82,090	\$ 28,729,116	\$ 28,289,119

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

AMikids, Inc. and Affiliates
Combined Statement of Functional Expenses
Year ended June 30, 2016
(With comparative financial information for 2015)

	Supporting Services					Totals	
	Total Program Services	Management and General	Fundraising	Boat Program	Total Support Services	2016	2015, as restated
Salaries	\$ 29,787,943	\$ 1,708,434	\$ 250,915	\$ 601,711	\$ 2,561,060	\$ 32,349,003	\$ 27,760,753
Employee benefits and payroll taxes	7,222,236	559,671	16,316	120,727	696,714	7,918,950	6,636,204
Commissions	-	-	-	842,498	842,498	842,498	2,036,653
Travel	1,122,363	120,603	13,244	62,628	196,475	1,318,838	1,041,350
Conferences and training	1,160,825	53,761	6,784	5,901	66,446	1,227,271	889,411
Office and other supplies	32,295	348,646	5,622	5,891	360,159	392,454	355,400
Rent and utilities	2,320,432	115,422	-	10,365	125,787	2,446,219	2,340,091
Insurance	1,607,004	7,569	-	249,949	257,518	1,864,522	1,702,158
Telephone	781,468	11,906	457	16,506	28,869	810,337	730,193
Professional fees	1,293,542	1,637,480	88,226	155,488	1,881,194	3,174,736	2,762,639
Postage	-	112,070	624	3,756	116,450	116,450	105,027
Student supplies and training	3,410,475	-	-	32,049	32,049	3,442,524	3,281,738
Community development	309,581	635,424	19,826	17,003	672,253	981,834	703,603
Equipment and maintenance	1,766,726	381,688	140	1,576,412	1,958,240	3,724,966	3,465,127
Dockage	-	-	-	179,570	179,570	179,570	118,614
Interest	53,416	43,934	-	34,755	78,689	132,105	153,539
Depreciation and amortization	1,335,299	132,259	-	130,310	262,569	1,597,868	1,542,442
Amortization of boats on charter	-	-	-	1,971,336	1,971,336	1,971,336	2,098,876
Impairment and other expenses	204,522	286,698	-	184,672	471,370	675,892	453,477
Total Expenses	\$ 52,408,127	\$ 6,155,565	\$ 402,154	\$ 6,201,527	\$ 12,759,246	\$ 65,167,373	\$ 58,177,295

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

AMikids, Inc. and Affiliates
Combined Statement of Cash Flows
Year ended June 30, 2016
(With comparative financial information for 2015)

	2016	2015, as restated
Cash flows from operating activities:		
Change in net assets	\$ 439,997	\$ 3,414,885
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,569,204	3,641,318
Net (gain) loss on disposal/impairment of property and equipment and assets held for sale	133,028	47,719
Donated boat inventory	(4,895,450)	(7,118,200)
Donated property and equipment	(106,000)	-
Realized and unrealized (gains) losses on investments	73,878	(24,774)
(Increase) decrease in:		
Accounts receivable	(1,534,959)	(443,954)
Prepaid expenses and other assets	221,801	(72,806)
Boats under Lease	343,383	965,643
Increase (decrease) in:		
Accounts payable	302,084	162,197
Accrued expenses	(347,916)	(708,886)
Accrued pension	(370,443)	(614,889)
Deferred revenues	1,605,028	(42,772)
Security deposits	642,940	650,979
Net cash used in operating activities	76,575	(143,540)
Cash flows from investing activities:		
Purchases of property and equipment	(1,378,714)	(969,506)
Proceeds from sale of property and equipment and assets held for sale	1,117,868	1,763,187
Proceeds from sale of investments	4,277,673	6,084,794
Purchases of investments	(3,463,090)	(5,457,599)
Net cash provided by investing activities	553,737	1,420,876
Cash flows from financing activities:		
Net (repayments) borrowings on lines of credit	77,000	-
Proceeds from new borrowings from third parties	-	7,387
Payments on notes payable	(288,768)	(351,213)
Net cash used in financing activities	(211,768)	(343,826)
Net increase (decrease) in cash and cash equivalents	418,544	933,510
Cash and cash equivalents at beginning of year	8,792,915	7,859,405
Cash and cash equivalents at end of year	\$ 9,211,459	\$ 8,792,915
Cash paid for interest	\$ 132,105	\$ 153,539
Supplemental disclosure of noncash investing and financing activities:		
Financed purchases of property and equipment	\$ 1,719	\$ 83,811
Other noncash additions of property and equipment	27,866	-

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

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

Use of Estimates

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

Basis of Presentation

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

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

Cash and Cash Equivalents

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

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

Investments and Investment Income

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

Endowment Investments

Endowment investments consist of funds held by the Southwest Florida Community Foundation ("Community Foundation"), an unrelated organization. The Community Foundation is an external investment pool, where the Institute owns a portion of the investment pool and no individual securities. The Institute has no control over investment pricing or investment selection within the investment pool.

Accounts Receivable

Accounts receivable consists primarily of receivables from federal and state agencies and county school boards. AMIkids considers these accounts receivable to be fully collectible and therefore no material allowance has been recorded. Amounts becoming uncollectible will be charged to operations when that determination is made.

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Boat Inventory

Boat inventory represents boats held for resale which are valued at estimated fair value at the time of the donation. Donated boats were valued at \$4,895,450 and \$7,118,200 at the time of donation for the years ended June 30, 2016 and 2015, respectively, and are included in boat program revenue. Fair value is estimated based on third party appraisals, broker valuations and management's experience with the boat charter industry. Fair values are reviewed quarterly by management and are reduced when necessary. Adjustments to fair value are recorded as a reduction in boat program revenue if the adjustment is made during the year of the donation and as an increase in boat program expense if made in subsequent years. Normal expenditures for repairs and maintenance of boats are expensed as incurred.

Boats under Lease

AMIkids leases its boats to third parties under operating leases for periods of up to three years. The operating leases contain options to purchase the boat at the end of the charter period for the fair value estimated by management at lease inception, with all of the lease payments applied to the purchase price. Revenues are recognized as received except for security deposits, the option fee, and short-term lease payments, an additional payment made for the one year period commencing on the lease commencement date. Security deposits are recorded as a liability and are recognized if and when the purchase option is exercised. The option fee and short-term lease payments are amortized over the life of the lease. If the purchase option is not exercised, the boat is returned to AMIkids, Inc. and the security deposit is returned to the lessee after deducting all necessary expenses for the boat to be in the same condition as at time of initiation of the lease. Direct costs are deferred and amortized over the life of the lease.

Future minimum lease payments due under operating leases during fiscal years 2017, 2018 and 2019 are approximately \$1,892,000, \$1,435,000 and \$554,000, respectively. At June 30, 2016 and 2015, the unexercised purchase options were approximately \$4,830,000 and \$3,628,000, respectively. The gross value and accumulated amortization on leased property as of June 30, 2016 and 2015 was approximately \$13,646,000 and \$3,441,000, respectively. The net leased property of approximately \$10,581,000 includes \$375,000 of unamortized commission. The gross value and accumulated amortization on leased property as of June 30, 2016 and 2015 was approximately \$9,733,000 and \$2,617,000, respectively. Amortization of boats under lease amounted to approximately \$1,971,000 and \$2,099,000 for the years ended June 30, 2016 and 2015, respectively. Amortization does not include the book value of boats optioned or sold to buyers, which was approximately \$1,289,000 and \$1,679,000 for the years ended June 30, 2016 and 2015, respectively.

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

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

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

Assets Held for Sale

As of June 30, 2016 and 2015, the Organization intends to sell the following properties and has classified the net book value of the land, building and improvements as held for sale on the combined statement of financial position:

Institute	Property held for sale	2016	2015
AMIkids, Inc.	Land, buildings and improvements	\$ -	\$ 385,000
Crossroads	Land	80,000	80,000
Gainesville	Land, buildings and improvements	69,301	69,301
Northeast Louisiana	Land and improvements	-	29,760
Panama City Marine	Land	-	80,000
Pasco	Land	-	110,000
WINGS Texas	Land, buildings and improvements	310,000	310,000
		\$ 459,301	\$ 1,064,061

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets and Assets Held for Sale

AMIkids reviews all long-lived assets, which consist primarily of property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the discounted cash flows. During 2016 and 2015, the Organization recorded impairment of long-lived assets of \$-0- and \$194,502, respectively. The impairment during 2015 was attributed to land that was purchased for the construction of a residential facility in South Carolina in which the decision was made during 2015 to not move forward with construction. Recoverability of assets held for sale is measured by a comparison of the assets carrying value to its fair value and any excess of its carrying value over fair value is recorded as impairment. During 2016 and 2015, the Organization recorded impairment charges for assets held for sale as follows:

Institute	Description of property	Reason for impairment	Fair value	2016	2015
AMIkids, Inc.	Land (Grand Bois)	Changed intended usage	Purchase offer	-	\$ 55,000
Northeast Louisiana	Land and improvements	Closure of facility	Purchase offer	-	20,240
Panama City Marine	Land	Changed intended usage	Purchase offer	-	60,000
				\$	- \$ 135,240

Fair value for the above impairments was based on actual offers to purchase the properties. Impairment charges are included in impairment and other expenses within management and general on the combined statement of functional expenses.

Deferred Revenue

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

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Facilities

Facilities provided by a funding agency and other donors to an institute or school for use during the term of its contract are recorded as an in-kind contribution and rental expense in the financial statements in the period in which the facilities are utilized by the institute or school. The amounts recorded in each period of use by the institute or school represent the difference between the fair rental value of the facilities and the stated amount of the rent payments. The stated amount of the rent payments is generally zero. In-kind rental contributions and the related rental expense were approximately \$504,000 and \$475,000 for the years ended June 30, 2016 and 2015, respectively, and are reflected as contribution revenue and rent and utilities expense, respectively, in the accompanying combined financial statements.

Public Support and Revenue

Public support is primarily from contracts with various federal, state and local agencies. Contracts with state and some federal agencies generally provide funding based on client service days. Regional support represents amounts received from local sources, including county school boards and United Way agencies. Other revenue is primarily special fundraising events and gain on sale of property and equipment.

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

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

Donated Services

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by the individuals possessing those skills and would be typically purchased if not provided by donation. For the years ended June 30, 2016 and 2015, donated services were not material to the combined financial statements.

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited. Other expenses are allocated based on management's estimate of the benefit derived by each activity.

Income Taxes

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

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

Recent Accounting Pronouncements

In May 2014, the Financial Standards Accounting Board ("FASB") issued an accounting standard which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. Under the new guidance the policy is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The new standard defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting the new guidance recognized at the date of adoption. The new standard allows for early adoption for annual periods beginning after December 15, 2016. In July 2015, the FASB voted to defer the effective date of the new standard for all entities by one year, or for the Organization, annual periods beginning after December 15, 2018.

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

The Organization is currently evaluating the impact of its pending adoption of the new revenue recognition standard on its combined financial statements and has not yet determined the method by which it will adopt the standard.

In February 2016, the FASB issued an accounting standard which requires the recognition of assets and liabilities arising from lease transactions on the balance sheet and the disclosure of additional information about leasing arrangements. Under the new guidance, for all leases, interest expense and amortization of the right to use asset will be recorded for leases determined to be financing leases and straight-line lease expense will be recorded for leases determined to be operating leases. Lessees will initially recognize assets for the right to use the leased assets and liabilities for the obligations created by those leases. The new accounting standard must be adopted using a modified retrospective approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The accounting standard is effective for the Organization beginning with the year ended June 30, 2021, with early adoption permitted. The Organization is currently in the process of assessing what impact this new standard may have on its combined financial statements.

Summarized Financial Information for 2015

The financial information for the year ended June 30, 2015 is presented for comparative purposes, and is not intended to be a complete presentation. Certain amounts for fiscal 2015 have been reclassified to conform to their presentation in the 2016 combined financial statements with no impact on total net assets or changes in net assets.

NOTE 2: ENDOWMENT INVESTMENTS

During 2016, AMIkids Southwest Florida, Inc. created a board designated donor advised fund and a permanently restricted donor advised fund. The board designated fund was created with a contribution of \$283,770. The fund is under the direction of the Southwest Florida Community Foundation (an unrelated entity) (the "Community Foundation") and will be for the benefit of qualified charitable organizations. The Institute has the ability to direct the Community Foundation as to distributions. The intent of the Institute is to direct all distributions to benefit the Institute. The permanently restricted donor advised fund was created with a donation of \$25,000. The intent of this fund is to maintain the corpus into perpetuity and distributions to be made from investment appreciation.

AMikids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 2: ENDOWMENT INVESTMENTS (Continued)

Endowment investments had a fair value of \$263,234 and \$-0-, at June 30, 2016 and 2015, respectively, and had interest and dividends of \$4,464 and \$-0- for the year ending June 30, 2016 and 2015, respectively.

The activity for the endowment investments for the year ending June 30, 2016 is the following:

	Unrestricted, Board Designated	Temporarily Restricted	Permanently Restricted	Total
June 30, 2015	\$ -	\$ -	\$ -	\$ -
Asset transfer	283,770	-	25,000	308,770
Distributions	(50,000)	-	-	(50,000)
Investment earnings	4,464	-	-	4,464
June 30, 2016	\$ 238,234	\$ -	\$ 25,000	\$ 263,234

The Organization maintains an additional \$57,090 of investments included in general investment accounts as permanently restricted endowment funds. See Note 9.

NOTE 3: FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

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

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

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

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

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

Level 1 Fair Value Measurements:

Level 1 investments include pooled equity funds, pooled fixed income funds, equity securities and government securities valued based on quoted market prices.

Level 2 Fair Value Measurements:

Level 2 financial assets consist of corporate bonds (included in pooled fixed income funds in Note 2), and cash surrender value of insurance policies. Corporate bonds are valued based upon recent bid prices. The cash surrender value of insurance policies is the quoted market prices of the underlying securities.

Level 3 Fair Value Measurements:

Level 3 assets consist of boats valued at estimated fair value at the time of the donation and endowment investments. Fair value of boats is estimated based on third party appraisals, broker valuations and management's experience with the boat charter industry. The fair value of boat inventory was presented as a Level 3 asset beginning in the 2016 financial statements. The endowment investments are managed by a third party unrelated organization. The endowment investments are valued based on third party pricing information without adjustment. The Institute does not develop nor are they provided with the quantitative inputs used to develop the fair market values. See 2016 activity of endowment investments in Note 2.

AMikids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

Fair Value of Financial Instruments

<i>June 30, 2016</i>	Fair Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Certificates of deposits	\$ 332,874	\$ 332,874	\$ -	\$ -
Pooled equity funds	1,244,355	1,244,355	-	-
Pooled fixed income funds	360,581	360,581	-	-
Equity securities	75,912	75,912	-	-
Government securities	4,929,782	4,929,782	-	-
Cash surrender value of insurance policies	83,634	-	83,634	-
Total investments	7,027,138	6,943,504	83,634	-
Endowment investments	263,234	-	-	263,234
Boat inventory	2,026,250	-	-	2,026,250
Total Assets	\$ 9,316,622	\$ 6,943,504	\$ 83,634	\$ 2,289,484

<i>June 30, 2015</i>	Fair Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Certificates of deposits	\$ 1,852,356	\$ 1,852,356	\$ -	\$ -
Pooled equity funds	1,187,394	1,187,394	-	-
Pooled fixed income funds	349,180	349,180	-	-
Equity securities	50,512	50,512	-	-
Government securities	4,660,014	4,660,014	-	-
Cash surrender value of insurance policies	79,377	-	79,377	-
Total investments	8,178,833	8,099,456	79,377	-
Total Assets	\$ 8,178,833	\$ 8,099,456	\$ 79,377	\$ -

AMikids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

Fair Value of Financial Instruments (Continued)

The activity of boat inventory for the year ending June 30, 2016 is as follows:

Beginning balance at fair value	\$	3,667,195
Donated boats		4,895,450
Less: Chartered		(5,532,750)
Less: Outright sales		(644,075)
Less: Impairments		(247,070)
Less: Transfer to property and equipment		(112,500)
		<hr/>
Ending balance at fair value	\$	2,026,250
		<hr/> <hr/>

NOTE 4: INVESTMENTS

Investments at June 30, 2016 and 2015 consist of:

	2016	2015
	<hr/>	<hr/>
Certificates of deposit	\$ 332,874	\$ 1,852,356
Pooled equity funds	1,244,355	1,187,394
Pooled fixed income funds	360,581	349,180
Equity securities	75,912	50,512
Government securities	4,929,782	4,660,014
Cash surrender value of insurance policies	83,634	79,377
	<hr/>	<hr/>
	\$ 7,027,138	\$ 8,178,833
	<hr/> <hr/>	<hr/> <hr/>

Investment income was comprised of the following for the years ended June 30, 2016 and 2015:

	2016	2015
	<hr/>	<hr/>
Interest and dividends	\$ 146,046	\$ 46,203
Net realized and unrealized gains	(73,878)	24,774
	<hr/>	<hr/>
	\$ 72,168	\$ 70,977
	<hr/> <hr/>	<hr/> <hr/>

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 and 2015 consist of:

	2016	2015
Land and permanent site improvements	\$ 3,370,508	\$ 3,159,262
Buildings and leasehold improvements	21,830,024	21,545,440
Furniture, fixtures and equipment	7,595,444	7,360,826
Motor vehicles	2,088,938	2,059,145
Boats, motors and trailers	1,227,573	1,119,265
Swimming Pools	465,433	492,305
Construction in progress (estimate to complete is \$363,500)	384,111	210,643
	36,962,031	35,946,886
Less accumulated depreciation and amortization	(26,391,496)	(25,375,356)
	\$ 10,570,535	\$ 10,571,530

Included in furniture, fixtures and equipment are assets recorded under capital leases with a cost and accumulated depreciation of \$138,331 and \$80,926, respectively, at June 30, 2016 and \$138,331 and \$56,575 respectively, at June 30, 2015.

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

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 6: LINES OF CREDIT

Lines of credit at June 30, 2016 and 2015 consist of:

<u>Entity</u>	<u>2016</u>	<u>2015</u>
AMIkids, Inc. Line of Credit, maximum principal amount of \$3,000,000, bearing variable interest at 2.4% above the SunTrust 30 Day LIBOR (interest rate at June 30, 2016 was 2.86%), expiring February 11, 2017, collateralized by government receivables	\$ -	\$ -
AMIkids, Inc. Line of Credit, maximum principal amount of \$6,000,000, bearing variable interest at 2.4% above the SunTrust 30 Day LIBOR (interest rate at June 30, 2016 was 2.86%), expiring February 11, 2017, collateralized by vessel inventory and lease receivables	1,000,000	1,000,000
Space Coast Line of Credit, maximum principal amount of \$100,000, interest rate tied to the WSJ Prime Rate plus 1.75% (interest rate at June 30, 2016 was 5.00%), expiring December 17, 2024, collateralized by real estate	-	-
Beaufort Line of Credit, maximum available \$100,000, interest at 2.6% secured by separate security instruments of a donor, expiring December, 2020	77,000	-
Total Lines of Credit	\$ 1,077,000	\$ 1,000,000

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

At June 30, 2016, the Organization had a borrowing capacity of \$9,200,000 under lines of credit subject to availability based on asset levels. The actual amount available based on assets levels as of June 30, 2016 in excess of the amount utilized was approximately \$8,123,000. The AMIkids, Inc. lines of credit contain restrictive financial covenants related to liquidity to modified debt ratio and the maintenance of minimum cash and marketable securities levels. The Organization was in compliance with these restrictive covenants as of and for the years ended June 30, 2016 and 2015.

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 7: NOTES PAYABLE

Notes payable at June 30, 2016 and 2015 consists of:

Entity	2016	2015
AMIkids, Inc. Mortgage payable bearing interest at 30 Day LIBOR index plus 2.1% (interest rate at June 30, 2016 was 2.56%); monthly installments of \$7,711 plus interest, due April 2017 with a final payment of \$7,843, collateralized by building	\$ 73,453	\$ 165,982
AMIkids, Inc. Mortgage payable bearing interest at 30 Day LIBOR index plus 2.1% (interest rate at June 30, 2016 was 2.56%); monthly installments of \$4,564 plus interest, due April 2017 with a final payment of \$4,565, collateralized by building	45,641	100,414
Beaufort Note payable in monthly installments of \$664, including interest at 1.99%, due August 2018, collateralized by vehicle	16,181	23,801
Beaufort Note payable in monthly installments of \$666, including interest at 2.2%, due October 2018, collateralized by certificate of deposit	18,107	25,636
Baton Rouge Note payable in monthly installments of \$162, including interest at 8.47%, due September 2019, collateralized by equipment under capital lease	5,522	6,938
Big Cypress Note payable in monthly installments of \$324, including interest at 8%, due January 2020, collateralized by equipment under capital lease	12,752	15,124
Crossroads Note payable in monthly installments of \$256, including interest at 8%, due January 2020, collateralized by equipment under capital lease	9,360	12,122
Emerald Coast Note payable in monthly installments of \$299, including interest at 11%, due September 2019, collateralized by equipment under capital lease	9,576	12,168
Infinity Wake Note payable in monthly installments of \$230, including interest at 10%, due September 2019, collateralized by equipment under capital lease	7,608	9,493

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 7: NOTES PAYABLE (Continued)

<u>Entity</u>	<u>2016</u>	<u>2015</u>
Jacksonville Mortgage payable in monthly principal installments of \$2,510 plus interest of 3.5% over the LIBOR rate (interest rate at June 30, 2016 was 3.97%), with balloon payment of approx. \$484,500 due April 2018, secured by Institute premises and guaranteed by AMIkids, Inc., and is cross collateralized	536,227	567,324
Orlando Mortgage payable in monthly installments of \$1,370 including interest at 7.25%, due November 2017, collateralized by building	22,658	36,902
Panama City Note payable in monthly installments of \$1,973, including interest at 5.5%, due August 2018; collateralized by equipment	48,256	68,589
Panama City Mortgage payable in monthly installments of \$3,410, including interest at 4.75% with balloon payment of approx. \$323,400, due January 2022, collateralized by land and buildings.	447,852	466,652
Pensacola Note payable in monthly installments of \$536, including interest at 4%, due October 2019, collateralized by vehicle	19,485	24,948
Pensacola Mortgage payable due to board member in monthly installments of \$966, including interest at 3%, due June, 2019 with final balloon payment of of approx. \$54,500, collateralized by building.	82,324	91,294
YES Note payable in monthly installments of \$273, including interest at 8%, due August 2018, collateralized by equipment under capital lease	6,710	9,337
Various Various notes payable, monthly installments from \$137 to \$359, various interest rates, due various dates through June 2019, collateralized by equipment.	19,583	31,619
Total Notes Payable	\$ 1,381,295	\$ 1,668,343

AMikids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 7: NOTES PAYABLE (Continued)

Principal payments on notes payable for years subsequent to June 30, 2016 are as follows:

2017	\$ 263,212
2018	604,949
2019	113,457
2020	26,546
2021	20,875
Thereafter	352,256
	\$ 1,381,295

NOTE 8: ACCRUED EXPENSES

Accrued expenses at June 30, 2016 and 2015 consist of:

	2016	2015
Workers compensation self-funded reserve	\$ 3,414,651	\$ 3,903,526
Vehicle and other self-funded reserve	283,198	428,190
Medical self-funded reserve	500,000	500,000
Accrued payroll	846,983	613,404
Accrued vacation	728,812	689,578
Accrued severance and unemployment	81,847	68,307
Accrued boat program payments	711,551	873,899
Other accruals	718,658	556,712
	\$ 7,285,700	\$ 7,633,616

NOTE 9: RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2016 and 2015:

	2016	2015
Education/scholarship	\$ 535,510	\$ 727,086
Experiential Activities	815,875	1,011,402
Building / Equipment	578,716	584,547
Girls Initiative Program	425,878	423,987
Other	563,875	239,640
	\$ 2,919,854	\$ 2,986,662

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 9: RESTRICTIONS AND LIMITATIONS ON NET ASSETS (Continued)

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

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"), which establishes statutory law governing Florida not-for-profit Corporation's management of investments.

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

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

Net assets were released from donor restrictions by occurrence of events specified by donors as follows for the years ended June 30, 2016 and 2015.

	2016	2015
Education/scholarship	\$ 285,574	\$ 201,412
Experiential Activities	494,350	1,295,458
Building/ Equipment	207,776	308,291
Other	515,694	378,474
	<u>\$ 1,503,394</u>	<u>\$ 2,183,635</u>

AMikids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 10: NET ASSETS

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
AMikids, Inc.				
Net Assets June 30, 2014	\$ 14,684,158	\$ 413,540	\$ 50,000	\$ 15,147,698
Change in Net Assets	3,940,313	336,564	-	4,276,877
Restatement	758,700	-	-	758,700
Net Assets June 30, 2015	19,383,171	750,104	50,000	20,183,275
Change in Net Assets	1,586,025	(104,302)	-	1,481,723
Net Assets June 30, 2016	20,969,196	645,802	50,000	21,664,998
AMikids Foundation				
Net Assets June 30, 2014	106,281	936,626	7,090	1,049,997
Change in Net Assets	360	83,502	-	83,862
Net Assets June 30, 2015	106,641	1,020,128	7,090	1,133,859
Change in Net Assets	17,474	66,535	-	84,009
Net Assets June 30, 2016	124,115	1,086,663	7,090	1,217,868
Member Institutes and Schools				
Net Assets June 30, 2014	7,326,317	1,350,222	-	8,676,539
Change in Net Assets	(1,570,762)	(133,792)	-	(1,704,554)
Net Assets June 30, 2015	5,755,555	1,216,430	-	6,971,985
Asset transfer	(25,000)	-	25,000	-
Change in Net Assets	(1,096,694)	(29,041)	-	(1,125,735)
Net Assets June 30, 2016	4,633,861	1,187,389	25,000	5,846,250
Total Net Assets as of June 30, 2016	\$ 25,727,172	\$ 2,919,854	\$ 82,090	\$ 28,729,116

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 11: RESTATEMENT

The Organization has restated previously issued balances of accrued workers compensation expense; workers compensation expense and net assets – beginning of the year due to an error in utilizing third-party reports in the accrual estimation process, related to the recording of accrued workers compensation for the previous fiscal year. The previously reported balances, as restated are as follows:

	2015, as previously reported	Restatements	2015, as restated
Accrued expenses	\$ 8,392,316	\$ (758,700)	\$ 7,633,616
Employee benefits and payroll taxes	7,394,904	(758,700)	6,636,204
Net Assets, beginning of year	\$ 27,530,419	\$ 758,700	\$ 28,289,119

NOTE 12: COMMITMENTS AND CONTINGENCIES

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

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

AMIkids leases facilities under operating leases expiring in various years. Rent expense on these operating leases charged to operations for the years ended June 30, 2016 and 2015 was approximately \$686,000 and \$640,000, respectively. Based on the current operating leases, the annual lease expense is expected to remain consistent with 2016 expense over the next five years. Typically there are no operating leases with terms greater than five years.

AMIkids receives donations of boats that are valued at estimated fair value at the time of the donation. Management has estimated the value of the boat inventory at \$2,026,250 and \$3,667,195 at June 30, 2016 and 2015, respectively. Fair value is estimated based on third party appraisals, broker valuations and management's experience with the boat charter industry. The actual fair value of the boats is not known until the boat is sold or leased.

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 12: COMMITMENTS AND CONTINGENCIES (Continued)

AMIkids has purchased high-deductible policies for workers compensation and for vehicle and other property and casualty insurance and is responsible for all claims below the deductible level. Management has accrued approximately \$3,700,000 and \$4,331,000 at June 30, 2016 and 2015, respectively, as an estimate of losses on unpaid claims under these insurance policies. These accruals are estimated based on current and historical claims experience. It is reasonably possible that these estimates will change and, if changed, could have a material impact on the Organization's financial position and results of operations.

Under AMIkids' workers compensation and vehicle policies, the Organization has provided the insurance carrier a letter of credit for \$600,000, which is collateralized by investments and cash and cash equivalents held by AMIkids. There is also an additional \$5,200,000 held in a secured collateralized account to support these policies. Total investments and cash and cash equivalents of \$8,000,000 as of June 30, 2016 support the expected insurance commitments, including the required letters of credit and collateralized investment accounts.

AMIkids is self-funded for group health insurance up to a maximum of \$125,000 per employee. Management has accrued \$500,000 at June 30, 2016 and 2015 for estimated claims, including known claims and claims which are estimated to have occurred but which have not yet been reported. This estimate is based on current and historical claims experience and other information obtained from AMIkids' insurance provider. It is reasonably possible that these estimates will change and, if changed, could have a material impact on the Organization's financial position and results of operations. Adjustments to the estimated claims accrual are made when the need for such adjustments becomes apparent.

NOTE 13: RETIREMENT PLANS

AMIkids maintains a noncontributory defined contribution pension plan covering all full-time employees who have completed two years of service and have attained the age of 20-1/2 years. Contributions to the Plan are based on a percentage of each employee's total compensation for the year. The pension expense for the years ended June 30, 2016 and 2015 was approximately \$1,501,000 and \$1,438,000, respectively, and is included in employee benefits and payroll taxes on the combined statement of functional expenses.

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

AMIkids, Inc. and Affiliates
Notes to Combined Financial Statements
Year ended June 30, 2016
(With comparative financial information for 2015)

NOTE 14: RELATED PARTY TRANSACTIONS

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

NOTE 15: INSTITUTE OPENINGS AND CLOSINGS

During the fiscal year ended June 30, 2016, AMIkids opened AMIkids Clay, a gender specific prevention and intervention day treatment program for boys. AMIkids also opened AMIkids St. Louis, an alternative education school serving 9th to 12th graders in the city of St. Louis.

Due to loss of funding, the following programs were closed: AMIkids Lafayette, AMIkids Pasco, and AMIkids Family Services (both Jasper and Tallahassee locations).

NOTE 16: SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to June 30, 2016 as of September 20, 2016, which is the date the combined financial statements were issued. Subsequent events occurring after September 20, 2016 have not been evaluated by management. No material events have occurred since June 30, 2016 that requires recognition or disclosure in the combined financial statements.

AMikids, Inc. and Affiliates
Schedule I
Combining Schedule - Statement of Financial Position
Year ended June 30, 2016

	AMikids	AMikids Foundation	AMikids Baton Rouge	AMikids Beaufort	AMikids Bennettsville	AMikids Clay County	AMikids Crossroads	AMikids Emerald Coast	AMikids Gainesville	AMikids Georgetown
Assets										
Cash and Cash Equivalents	\$ 2,669,628	\$ 3,178,427	\$ 162,305	\$ 195,838	\$ 60,608	\$ 23,956	\$ 42,068	\$ 17,662	\$ 24,585	\$ 140,643
Investments	5,799,462	473,454	-	247,353	-	-	-	-	-	-
Endowment investments	-	-	-	-	-	-	-	-	-	-
Accounts Receivable:										
Funding Agencies	3,876,305	-	410	5,853	3,351	8,158	360,454	2,494	7,639	5,000
Other	284,102	-	9,668	99,574	17,407	-	18,296	9,355	14,942	31,678
Prepaid Expenses and Other Assets	397,380	-	46,728	47,340	29,778	16,428	43,443	28,045	27,080	27,963
Due from Affiliates	16,285,859	-	133,025	148,770	132,225	41,481	11,533	29,726	52,652	238,247
Assets Held for Sale	-	-	-	-	-	-	80,000	-	69,301	-
Boat Inventory	2,026,250	-	-	-	-	-	-	-	-	-
Boats under Lease	10,581,017	-	-	-	-	-	-	-	-	-
Property and Equipment, Net	1,162,551	-	402,857	385,196	33,634	24,928	40,359	19,171	40,890	390,601
Total Assets	\$ 43,082,554	\$ 3,651,881	\$ 754,993	\$ 1,129,924	\$ 277,003	\$ 114,951	\$ 596,153	\$ 106,453	\$ 237,089	\$ 834,132
Liabilities and Net Assets										
Liabilities:										
Lines of Credit	\$ 1,000,000	\$ -	\$ -	\$ 77,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	1,056,146	-	26,488	34,530	25,666	14,299	31,592	16,005	13,745	18,234
Accrued Expenses	9,330,671	1,345	42,966	41,732	40,677	26,784	33,922	18,441	22,140	62,998
Accrued Pension	1,889,298	-	-	-	-	-	-	-	-	-
Due to Affiliates	3,575,262	2,432,668	443,909	29,753	1,129,968	221,845	693,637	436,595	973,347	23,532
Deferred Revenues	1,907,319	-	2,456	3,679	-	-	5,576	4,597	-	-
Security Deposits	2,539,765	-	-	-	-	-	-	-	-	-
Long Term Debt	119,095	-	5,522	34,289	-	-	9,360	9,576	2,109	-
Total Liabilities	21,417,556	2,434,013	521,341	220,983	1,196,311	262,928	774,087	485,214	1,011,341	104,764
Net Assets:										
Unrestricted:										
Board designated	-	-	-	-	-	-	-	-	-	-
Unrestricted	20,969,195	124,115	190,778	784,524	(919,308)	(147,977)	(186,977)	(460,281)	(775,533)	319,603
Total unrestricted	20,969,195	124,115	190,778	784,524	(919,308)	(147,977)	(186,977)	(460,281)	(775,533)	319,603
Temporarily Restricted	645,803	1,086,663	42,874	124,417	-	-	9,043	81,520	1,281	409,765
Permanently Restricted	50,000	7,090	-	-	-	-	-	-	-	-
Total Net Assets	21,664,998	1,217,868	233,652	908,941	(919,308)	(147,977)	(177,934)	(378,761)	(774,252)	729,368
Total Liabilities and Net Assets	\$ 43,082,554	\$ 3,651,881	\$ 754,993	\$ 1,129,924	\$ 277,003	\$ 114,951	\$ 596,153	\$ 106,453	\$ 237,089	\$ 834,132

See Independent Auditors' Report.

AMikids, Inc. and Affiliates
Schedule I
Combining Schedule - Statement of Financial Position
Year ended June 30, 2016

	AMikids Georgia	AMikids Greater Ft. Lauderdale	AMikids Jacksonville	AMikids Miami-Dade	AMikids North Carolina Family Services	AMikids Orlando	AMikids Panama City Marine Institute	AMikids Pasco	AMikids Pensacola	AMikids Pinellas
Assets										
Cash and Cash Equivalents	\$ -	\$ 34,040	\$ 59,762	\$ 284,629	\$ 172,283	\$ 95,856	\$ 119,600	\$ 33,399	\$ 78,156	\$ 26,726
Investments	-	-	-	-	-	-	-	-	-	-
Endowment investments	-	-	-	-	-	-	-	-	-	-
Accounts Receivable:										
Funding Agencies	-	-	22,336	75,271	-	22,885	7,807	-	94,663	-
Other	-	9,070	11,437	24,652	-	9,238	7,338	5,133	10,906	8,500
Prepaid Expenses and Other Assets	-	44,514	49,821	68,329	117,076	27,932	107,164	-	74,890	63,020
Due from Affiliates	27,622	71,527	56,724	200,372	390,889	59,975	72,354	151,444	221,385	50,429
Assets Held for Sale	-	-	-	-	-	-	-	-	-	-
Boat Inventory	-	-	-	-	-	-	-	-	-	-
Boats under Lease	-	-	-	-	-	-	-	-	-	-
Property and Equipment, Net	-	10,608	916,212	212,280	35,965	53,578	521,749	135,533	362,380	68,967
Total Assets	\$ 27,622	\$ 169,759	\$ 1,116,292	\$ 865,533	\$ 716,213	\$ 269,464	\$ 836,012	\$ 325,509	\$ 842,380	\$ 217,642
Liabilities and Net Assets										
Liabilities:										
Lines of Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	29,851	13,197	53,731	52,738	20,282	35,778	24,074	94,275	18,644
Accrued Expenses	1,345	27,858	30,559	79,637	41,841	22,455	40,417	56,790	62,010	24,159
Accrued Pension	-	-	-	-	-	-	-	-	-	-
Due to Affiliates	1,298	302,180	311,437	41,474	38,593	423,483	21,876	204,045	389,359	123,649
Deferred Revenues	-	24,415	10,891	5,000	-	3,069	25,350	-	-	-
Security Deposits	-	-	-	-	-	-	-	-	-	-
Long Term Debt	-	3,712	536,227	4,057	-	22,658	496,108	-	101,810	-
Total Liabilities	2,643	388,016	902,311	183,899	133,172	491,947	619,529	284,909	647,454	166,452
Net Assets:										
Unrestricted:										
Board designated	-	-	-	-	-	-	-	-	-	-
Unrestricted	24,979	(220,057)	195,508	555,956	583,041	(300,686)	185,155	11,454	169,283	43,655
Total unrestricted	24,979	(220,057)	195,508	555,956	583,041	(300,686)	185,155	11,454	169,283	43,655
Temporarily Restricted	-	1,800	18,473	125,678	-	78,203	31,328	29,146	25,643	7,535
Permanently Restricted	-	-	-	-	-	-	-	-	-	-
Total Net Assets	24,979	(218,257)	213,981	681,634	583,041	(222,483)	216,483	40,600	194,926	51,190
Total Liabilities and Net Assets	\$ 27,622	\$ 169,759	\$ 1,116,292	\$ 865,533	\$ 716,213	\$ 269,464	\$ 836,012	\$ 325,509	\$ 842,380	\$ 217,642

See Independent Auditors' Report.

AMikids, Inc. and Affiliates
Schedule I
Combining Schedule - Statement of Financial Position
Year ended June 30, 2016

	AMikids Piedmont	AMikids Sand Hills	AMikids Sandoval	AMikids Southwest Florida	AMikids Space Coast	AMikids St. Louis	AMikids Tallahassee	AMikids Tampa	AMikids Virginia Wilderness	AMikids Volusia
Assets										
Cash and Cash Equivalents	\$ 230,273	\$ 44,098	\$ 66,131	\$ 229,378	\$ 224,666	\$ 22,254	\$ 41,543	\$ 172,918	\$ 35,365	\$ 17,851
Investments	-	-	-	-	-	-	-	-	-	-
Endowment investments	-	-	-	263,234	-	-	-	-	-	-
Accounts Receivable:										
Funding Agencies	4,260	10,061	-	8,281	83,157	-	34,520	8,850	180,638	-
Other	10,700	12,800	10,905	58,131	7,987	544	7,500	8,795	19,510	7,053
Prepaid Expenses and Other Assets	28,289	27,253	159,588	34,000	44,498	28,999	28,305	37,550	42,781	45,139
Due from Affiliates	111,971	113,672	126,102	81,452	163,685	167,450	210,472	59,243	-	62,574
Assets Held for Sale	-	-	-	-	-	-	-	-	-	-
Boat Inventory	-	-	-	-	-	-	-	-	-	-
Boats under Lease	-	-	-	-	-	-	-	-	-	-
Property and Equipment, Net	90,269	19,143	240,528	82,530	548,248	28,421	119,383	307,615	227,286	10,729
Total Assets	\$ 475,762	\$ 227,027	\$ 603,254	\$ 757,006	\$ 1,072,241	\$ 247,668	\$ 441,723	\$ 594,971	\$ 505,580	\$ 143,346
Liabilities and Net Assets										
Liabilities:										
Lines of Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	26,151	41,887	46,135	24,420	87,459	8,893	16,488	38,826	42,266	28,939
Accrued Expenses	32,836	40,613	52,250	44,261	119,164	21,871	24,572	28,622	38,149	24,234
Accrued Pension	-	-	-	-	-	-	-	-	-	-
Due to Affiliates	17,579	467,493	1,589,673	26,743	27,089	182,390	22,067	379,096	754,166	356,780
Deferred Revenues	-	-	-	3,444	5,260	-	-	82,528	-	4,597
Security Deposits	-	-	-	-	-	-	-	-	-	-
Long Term Debt	-	4,978	-	3,121	-	-	-	-	-	-
Total Liabilities	76,566	554,971	1,688,058	101,989	238,972	213,154	63,127	529,072	834,581	414,550
Net Assets:										
Unrestricted:										
Board designated	-	-	-	238,234	-	-	-	-	-	-
Unrestricted	394,615	(330,614)	(1,090,085)	385,880	764,906	34,514	377,761	(36,671)	(330,932)	(275,468)
Total unrestricted	394,615	(330,614)	(1,090,085)	624,114	764,906	34,514	377,761	(36,671)	(330,932)	(275,468)
Temporarily Restricted	4,581	2,670	5,281	5,903	68,363	-	835	102,570	1,931	4,264
Permanently Restricted	-	-	-	25,000	-	-	-	-	-	-
Total Net Assets	399,196	(327,944)	(1,084,804)	655,017	833,269	34,514	378,596	65,899	(329,001)	(271,204)
Total Liabilities and Net Assets	\$ 475,762	\$ 227,027	\$ 603,254	\$ 757,006	\$ 1,072,241	\$ 247,668	\$ 441,723	\$ 594,971	\$ 505,580	\$ 143,346

See Independent Auditors' Report.

AMIkids, Inc. and Affiliates
Schedule I
Combining Schedule - Statement of Financial Position
Year ended June 30, 2016

	AMIkids White Pines	AMIkids Acadiana	AMIkids Big Cypress	AMIkids Family Services	AMIkids Gadsden Center for Academic Discipline	AMIkids Infinity Marlboro	AMIkids Infinity Wake County	AMIkids Lafayette	AMIkids Rio Grande Valley	AMIkids Sarasota County
Assets										
Cash and Cash Equivalents	\$ 112,661	\$ 43,447	\$ 87,596	\$ 89,415	\$ 14,691	\$ 17,326	\$ 3,220	\$ 43,330	\$ 18,203	\$ -
Investments	-	-	-	-	-	-	-	-	-	-
Endowment investments	-	-	-	-	-	-	-	-	-	-
Accounts Receivable:										
Funding Agencies	11,861	-	37,000	-	-	-	35,655	-	9,078	-
Other	14,500	13,263	1,364	236	-	-	-	-	8,348	-
Prepaid Expenses and Other Assets	36,769	50,603	21,205	20	12,356	16,555	10,820	-	29,471	-
Due from Affiliates	249,982	190,698	130,836	86,674	47,710	14,612	822	-	61,855	142,710
Assets Held for Sale	-	-	-	-	-	-	-	-	-	-
Boat Inventory	-	-	-	-	-	-	-	-	-	-
Boats under Lease	-	-	-	-	-	-	-	-	-	-
Property and Equipment, Net	35,022	35,049	25,118	7,240	83,760	971	7,012	-	2,695	-
Total Assets	\$ 460,795	\$ 333,060	\$ 303,119	\$ 183,585	\$ 158,517	\$ 49,464	\$ 57,529	\$ 43,330	\$ 129,650	\$ 142,710
Liabilities and Net Assets										
Liabilities:										
Lines of Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	52,725	45,451	52,204	11,795	2,328	2,674	3,141	2,305	15,987	-
Accrued Expenses	64,697	44,709	111,851	22,178	3,920	9,781	11,117	9,595	26,432	70,000
Accrued Pension	-	-	-	-	-	-	-	-	-	-
Due to Affiliates	29,410	2,031,439	69,871	146,709	53,501	100,219	28,516	30,544	1,930,456	-
Deferred Revenues	-	-	4,007	-	-	-	-	-	-	-
Security Deposits	-	-	-	-	-	-	-	-	-	-
Long Term Debt	-	-	12,752	-	-	-	7,608	-	1,604	-
Total Liabilities	146,832	2,121,599	250,685	180,682	59,749	112,674	50,382	42,444	1,974,479	70,000
Net Assets:										
Unrestricted:										
Board designated	-	-	-	-	-	-	-	-	-	-
Unrestricted	313,963	(1,798,560)	(34,780)	2,903	98,768	(72,575)	(946)	886	(1,872,562)	72,710
Total unrestricted	313,963	(1,798,560)	(34,780)	2,903	98,768	(72,575)	(946)	886	(1,872,562)	72,710
Temporarily Restricted	-	10,021	87,214	-	-	9,365	8,093	-	27,733	-
Permanently Restricted	-	-	-	-	-	-	-	-	-	-
Total Net Assets	313,963	(1,788,539)	52,434	2,903	98,768	(63,210)	7,147	886	(1,844,829)	72,710
Total Liabilities and Net Assets	\$ 460,795	\$ 333,060	\$ 303,119	\$ 183,585	\$ 158,517	\$ 49,464	\$ 57,529	\$ 43,330	\$ 129,650	\$ 142,710

See Independent Auditors' Report.

AMIkids, Inc. and Affiliates
Schedule I
Combining Schedule - Statement of Financial Position
Year ended June 30, 2016

	AMIkids Savannah River	AMIkids YES	AMIkids Georgia Properties	AMIkids Louisiana Properties	South Carolina Wilderness Institute	AMIkids New Mexico Properties	AMIkids South Carolina Statewide	AMIkids Wings Texas	AMIkids Northeast Louisiana Properties
Assets									
Cash and Cash Equivalents	\$ 59,361	\$ 217,561	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	506,869	-	-	-	-	-	-	-
Endowment investments	-	-	-	-	-	-	-	-	-
Accounts Receivable:									
Funding Agencies	82,787	12,861	-	-	-	-	-	-	-
Other	-	9,818	-	-	-	-	-	-	-
Prepaid Expenses and Other Assets	48,286	39,572	-	8,155	-	-	-	100	-
Due from Affiliates	1,125	346,670	-	464,259	-	756,000	10,885	-	-
Assets Held for Sale	-	-	-	-	-	-	-	310,000	-
Boat Inventory	-	-	-	-	-	-	-	-	-
Boats under Lease	-	-	-	-	-	-	-	-	-
Property and Equipment, Net	60,195	15,459	2,362,992	1,340,411	103,000	-	-	-	-
Total Assets	\$ 251,754	\$ 1,148,810	\$ 2,362,992	\$ 1,812,825	\$ 103,000	\$ 756,000	\$ 10,885	\$ 310,100	\$ -
Liabilities and Net Assets									
Liabilities:									
Lines of Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	24,982	60,760	-	-	-	-	-	-	-
Accrued Expenses	23,356	60,079	-	-	-	-	-	-	-
Accrued Pension	-	-	-	-	-	-	-	-	-
Due to Affiliates	788,414	34,690	318,969	459,847	4,103	-	-	310,000	-
Deferred Revenues	-	85,112	-	-	-	-	-	-	-
Security Deposits	-	-	-	-	-	-	-	-	-
Long Term Debt	-	6,709	-	-	-	-	-	-	-
Total Liabilities	836,752	247,350	318,969	459,847	4,103	-	-	310,000	-
Net Assets:									
Unrestricted:									
Board designated	-	-	-	-	-	-	-	-	-
Unrestricted	(615,092)	830,189	2,044,023	1,352,978	98,897	756,000	9,234	100	-
Total unrestricted	(615,092)	830,189	2,044,023	1,352,978	98,897	756,000	9,234	100	-
Temporarily Restricted	30,094	71,271	-	-	-	-	1,651	-	-
Permanently Restricted	-	-	-	-	-	-	-	-	-
Total Net Assets	(584,998)	901,460	2,044,023	1,352,978	98,897	756,000	10,885	100	-
Total Liabilities and Net Assets	\$ 251,754	\$ 1,148,810	\$ 2,362,992	\$ 1,812,825	\$ 103,000	\$ 756,000	\$ 10,885	\$ 310,100	\$ -

See Independent Auditors' Report.

AMIkids, Inc. and Affiliates
Schedule I
Combining Schedule - Statement of Financial Position
Year ended June 30, 2016

	Total Before			
	Eliminations	Eliminations	Total	
Assets				
Cash and Cash Equivalents	\$ 9,211,459	\$ -	\$ 9,211,459	
Investments	7,027,138	-	7,027,138	
Endowment investments	263,234	-	263,234	
Accounts Receivable:	-	-	-	
Funding Agencies	5,011,635	-	5,011,635	
Other	762,750	-	762,750	
Prepaid Expenses and Other Assets	1,967,245	(585,999)	1,381,246	
Due from Affiliates	21,977,698	(21,977,698)	-	
Assets Held for Sale	459,301	-	459,301	
Boat Inventory	2,026,250	-	2,026,250	
Boats under Lease	10,581,017	-	10,581,017	
Property and Equipment, Net	10,570,535	-	10,570,535	
Total Assets	\$ 69,858,262	\$ (22,563,697)	\$ 47,294,565	
Liabilities and Net Assets				
Liabilities:				
Lines of Credit	\$ 1,077,000	\$ -	\$ 1,077,000	
Accounts Payable	2,215,091	-	2,215,091	
Accrued Expenses	10,893,034	(3,607,334)	7,285,700	
Accrued Pension	1,889,298	-	1,889,298	
Due to Affiliates	21,977,674	(21,977,674)	-	
Deferred Revenues	2,177,300	-	2,177,300	
Security Deposits	2,539,765	-	2,539,765	
Long Term Debt	1,381,295	-	1,381,295	
Total Liabilities	44,150,457	(25,585,008)	18,565,449	
Net Assets:				
Unrestricted:				
Board designated	238,234	-	238,234	
Unrestricted	22,226,469	3,262,469	25,488,938	
Total unrestricted	22,464,703	3,262,469	25,727,172	
Temporarily Restricted	3,161,012	(241,158)	2,919,854	
Permanently Restricted	82,090	-	82,090	
Total Net Assets	25,707,805	3,021,311	28,729,116	
Total Liabilities and Net Assets	\$ 69,858,262	\$ (22,563,697)	\$ 47,294,565	

See Independent Auditors' Report.

AMikids, Inc. and Affiliates
Schedule II
Combining Schedule - Statement of Activities
Year ended June 30, 2016

	AMikids	AMikids Foundation	AMikids Baton Rouge	AMikids Beaufort	AMikids Bennettsville	AMikids Clay County	AMikids Crossroads	AMikids Emerald Coast	AMikids Gainesville	AMikids Georgetown
Public Support and revenue:										
State support:										
Florida	\$ 2,861,400	\$ -	\$ -	\$ -	\$ -	\$ 262,855	\$ -	\$ 313,001	\$ 374,209	\$ -
South Carolina	1,442,398	-	-	1,111,204	1,320,984	-	-	-	-	1,177,281
Louisiana	217,211	-	-	-	-	-	-	-	-	-
Texas	112,853	-	-	-	-	-	-	-	-	-
North Carolina	277,300	-	-	-	-	-	-	-	-	-
Missouri	83,318	-	-	-	-	-	-	-	-	-
Georgia	-	-	-	-	-	-	-	-	-	-
Federal support	1,189,071	-	165,159	237,894	267,304	-	254,419	31,494	118,987	92,556
Regional Revenue	-	-	783,822	32,000	-	82,518	1,168,674	198,564	290,268	-
Contributions	1,504,695	293,614	123,832	233,609	122,180	-	162,825	98,504	16,125	123,571
Total Public Support	7,688,246	293,614	1,072,813	1,614,707	1,710,468	345,373	1,585,918	641,563	799,589	1,393,408
Revenue										
Boat Program	7,412,903	-	-	-	-	-	-	-	-	-
Investment income (loss)	403,181	7,431	35	(4,971)	-	-	43	-	25	65
Other	1,891,392	-	88,793	114,648	26,504	-	19,177	61	-	35,192
Total revenue	9,707,476	7,431	88,828	109,677	26,504	-	19,220	61	25	35,257
Total public support and revenue	17,395,722	301,045	1,161,641	1,724,384	1,736,972	345,373	1,605,138	641,624	799,614	1,428,665
Expenses:										
Program Services	4,525,866	208,158	1,284,161	1,618,332	1,670,480	469,072	1,566,217	743,341	919,729	1,263,723
Management and general	4,712,165	8,878	134,841	26,173	23,429	24,278	217,467	50,420	25,210	14,746
Fundraising	386,203	-	-	-	-	-	15,951	-	-	-
Boat Program	6,289,765	-	-	-	-	-	-	-	-	-
Total expense	15,913,999	217,036	1,419,002	1,644,505	1,693,909	493,350	1,799,635	793,761	944,939	1,278,469
Change in Net assets	1,481,723	84,009	(257,361)	79,879	43,063	(147,977)	(194,497)	(152,137)	(145,325)	150,196
Net assets (deficit), beginning of the year	20,183,275	1,133,859	491,013	829,062	(962,371)	-	16,563	(226,624)	(628,927)	579,172
Net assets (deficit), end of the year	\$ 21,664,998	\$ 1,217,868	\$ 233,652	\$ 908,941	\$ (919,308)	\$ (147,977)	\$ (177,934)	\$ (378,761)	\$ (774,252)	\$ 729,368

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AMIkids, Inc. and Affiliates
Schedule II
Combining Schedule - Statement of Activities
Year ended June 30, 2016

	AMIkids Georgia	AMIkids Greater Ft. Lauderdale	AMIkids Jacksonville	AMIkids Miami-Dade	AMIkids North Carolina Family Services	AMIkids Orlando	AMIkids Panama City Marine Institute	AMIkids Pasco	AMIkids Pensacola	AMIkids Pinellas
Public Support and revenue:										
State support:										
Florida	\$ -	\$ 637,702	\$ 497,408	\$ 1,450,981	\$ -	\$ 498,677	\$ 581,830	\$ 1,036,340	\$ 2,286,267	\$ 690,497
South Carolina	-	-	-	-	-	-	-	-	-	-
Louisiana	-	-	-	-	-	-	-	-	-	-
Texas	-	-	-	-	-	-	-	-	-	-
North Carolina	-	-	-	-	2,370,700	-	-	-	-	-
Missouri	-	-	-	-	-	-	-	-	-	-
Georgia	-	-	-	-	-	-	-	-	-	-
Federal support	-	42,064	47,677	400,575	-	42,489	128,726	35,498	112,969	17,245
Regional Revenue	-	317,418	335,647	754,074	-	320,864	648,017	471,165	-	262,906
Contributions	-	19,580	49,565	265,966	2,214	44,080	302,210	10,544	146,894	73,811
Total Public Support	-	1,016,764	930,297	2,871,596	2,372,914	906,110	1,660,783	1,553,547	2,546,130	1,044,459
Revenue										
Boat Program	-	-	-	-	-	-	-	-	-	-
Investment income (loss)	22	42	15	33	71	51	17	43	26	1
Other	-	-	154	19,516	19	-	42,490	-	6,645	306,098
Total revenue	22	42	169	19,549	90	51	42,507	43	6,671	306,099
Total public support and revenue	22	1,016,806	930,466	2,891,145	2,373,004	906,161	1,703,290	1,553,590	2,552,801	1,350,558
Expenses:										
Program Services	205,773	1,110,100	975,996	2,724,693	2,074,184	911,094	1,641,607	1,516,887	2,472,371	1,121,500
Management and general	2,464	37,356	27,868	58,815	27,956	48,330	55,710	161,600	41,988	114,349
Fundraising	-	-	-	-	-	-	-	-	-	-
Boat Program	-	-	-	-	-	-	-	-	-	-
Total expense	208,237	1,147,456	1,003,864	2,783,508	2,102,140	959,424	1,697,317	1,678,487	2,514,359	1,235,849
Change in Net assets	(208,215)	(130,650)	(73,398)	107,637	270,864	(53,263)	5,973	(124,897)	38,442	114,709
Net assets (deficit), beginning of the year	233,194	(87,607)	287,379	573,997	312,177	(169,220)	210,510	165,497	156,484	(63,519)
Net assets (deficit), end of the year	\$ 24,979	\$ (218,257)	\$ 213,981	\$ 681,634	\$ 583,041	\$ (222,483)	\$ 216,483	\$ 40,600	\$ 194,926	\$ 51,190

See Independent Auditors' Report.

AMIkids, Inc. and Affiliates
Schedule II
Combining Schedule - Statement of Activities
Year ended June 30, 2016

	AMIkids Piedmont	AMIkids Sand Hills	AMIkids Sandoval	AMIkids Southwest Florida	AMIkids Space Coast	AMIkids St. Louis	AMIkids Tallahassee	AMIkids Tampa	AMIkids Virginia Wilderness	AMIkids Volusia
Public Support and revenue:										
State support:										
Florida	\$ -	\$ -	\$ -	\$ 575,395	\$ 1,685,653	\$ -	\$ 493,178	\$ 545,993	\$ -	\$ 519,942
South Carolina	1,177,281	1,323,681	-	-	-	-	-	-	-	-
Louisiana	-	-	-	-	-	-	-	-	-	-
Texas	-	-	-	-	-	-	-	-	-	-
North Carolina	-	-	-	-	-	-	-	-	-	-
Missouri	-	-	-	-	-	633,956	-	-	-	-
Georgia	-	-	-	-	-	-	-	-	-	-
Federal support	198,644	80,800	1,667,033	27,331	197,003	-	33,257	31,624	451,324	27,449
Regional Revenue	4,375	-	-	376,907	349,703	-	282,333	277,547	931,167	173,572
Contributions	26,393	143,007	29,743	260,165	59,295	-	177,204	80,395	25,842	12,688
Total Public Support	1,406,693	1,547,488	1,696,776	1,239,798	2,291,654	633,956	985,972	935,559	1,408,333	733,651
Revenue										
Boat Program	-	-	-	-	-	-	-	-	-	-
Investment income (loss)	16	1	13	5,502	75	-	-	55	-	-
Other	486	427	-	63,277	58,851	-	21,000	70,056	1,021	4
Total revenue	502	428	13	68,779	58,926	-	21,000	70,111	1,021	4
Total public support and revenue	1,407,195	1,547,916	1,696,789	1,308,577	2,350,580	633,956	1,006,972	1,005,670	1,409,354	733,655
Expenses:										
Program Services	1,317,056	1,620,427	2,332,653	1,117,645	2,384,324	585,072	787,578	997,824	1,646,065	837,222
Management and general	30,694	26,859	43,699	33,196	46,543	14,370	29,404	51,112	277,698	24,325
Fundraising	-	-	-	-	-	-	-	-	-	-
Boat Program	-	-	-	-	-	-	-	-	-	-
Total expense	1,347,750	1,647,286	2,376,352	1,150,841	2,430,867	599,442	816,982	1,048,936	1,923,763	861,547
Change in Net assets	59,445	(99,370)	(679,563)	157,736	(80,287)	34,514	189,990	(43,266)	(514,409)	(127,892)
Net assets (deficit), beginning of the year	339,751	(228,574)	(405,241)	497,281	913,556	-	188,606	109,165	185,408	(143,312)
Net assets (deficit), end of the year	\$ 399,196	\$ (327,944)	\$ (1,084,804)	\$ 655,017	\$ 833,269	\$ 34,514	\$ 378,596	\$ 65,899	\$ (329,001)	\$ (271,204)

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AMIkids, Inc. and Affiliates
Schedule II
Combining Schedule - Statement of Activities
Year ended June 30, 2016

	AMIkids White Pines	AMIkids Acadiana	AMIkids Big Cypress	AMIkids Family Services	AMIkids Gadsden Center for Academic Discipline	AMIkids Infinity Marlboro	AMIkids Infinity Wake County	AMIkids Lafayette	AMIkids Rio Grande Valley	AMIkids Sarasota County
Public Support and revenue:										
State support:										
Florida	\$ -	\$ -	\$ 1,190,753	\$ 1,077,233	\$ 347,271	\$ -	\$ -	\$ -	\$ -	\$ -
South Carolina	2,331,540	-	-	-	-	-	-	-	-	-
Louisiana	-	1,731,340	-	-	-	-	-	-	-	-
Texas	-	-	-	-	-	-	-	-	639,503	-
North Carolina	-	-	-	-	-	-	-	-	-	-
Missouri	-	-	-	-	-	-	-	-	-	-
Georgia	-	-	-	-	-	-	-	-	-	-
Federal support	369,374	212,589	191,438	-	-	-	-	-	56,233	-
Regional Revenue	-	167,525	181,648	-	-	450,000	427,860	368,004	58,164	-
Contributions	153,820	23,175	104,613	154	2,326	14,191	8,276	505	20,549	-
Total Public Support	2,854,734	2,134,629	1,668,452	1,077,387	349,597	464,191	436,136	368,509	774,449	-
Revenue										
Boat Program	-	-	-	-	-	-	-	-	-	-
Investment income (loss)	6	18	16	12,204	-	20	-	-	18	871
Other	442	-	1,959,585	-	-	-	-	-	15,842	-
Total revenue	448	18	1,959,601	12,204	-	20	-	-	15,860	871
Total public support and revenue	2,855,182	2,134,647	3,628,053	1,089,591	349,597	464,211	436,136	368,509	790,309	871
Expenses:										
Program Services	2,497,289	2,128,416	2,671,703	1,810,088	326,126	373,462	370,745	306,569	949,926	270
Management and general	31,694	28,612	79,143	50,986	7,050	59,525	58,137	69,245	27,248	1,691
Fundraising	-	-	-	-	-	-	-	-	-	-
Boat Program	-	-	-	-	-	-	-	-	-	-
Total expense	2,528,983	2,157,028	2,750,846	1,861,074	333,176	432,987	428,882	375,814	977,174	1,961
Change in Net assets	326,199	(22,381)	877,207	(771,483)	16,421	31,224	7,254	(7,305)	(186,865)	(1,090)
Net assets (deficit), beginning of the year	(12,236)	(1,766,158)	(824,773)	774,386	82,347	(94,434)	(107)	8,191	(1,657,964)	73,800
Net assets (deficit), end of the year	\$ 313,963	\$ (1,788,539)	\$ 52,434	\$ 2,903	\$ 98,768	\$ (63,210)	\$ 7,147	\$ 886	\$ (1,844,829)	\$ 72,710

See Independent Auditors' Report.

AMIkids, Inc. and Affiliates
Schedule II
Combining Schedule - Statement of Activities
Year ended June 30, 2016

	AMIkids Savannah River	AMIkids YES	AMIkids Georgia Properties	AMIkids Louisiana Properties	South Carolina Wilderness Institute	AMIkids New Mexico Properties	AMIkids South Carolina Statewide	AMIkids Wings Texas	AMIkids Northeast Louisiana Properties
Public Support and revenue:									
State support:									
Florida	\$ -	\$ 2,042,693	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
South Carolina	-	-	-	-	-	-	-	-	-
Louisiana	-	-	-	-	-	-	-	-	-
Texas	-	-	-	-	-	-	-	-	-
North Carolina	-	-	-	-	-	-	-	-	-
Missouri	-	-	-	-	-	-	-	-	-
Georgia	904,829	-	-	-	-	-	-	-	-
Federal support	-	152,542	-	-	-	-	-	-	-
Regional Revenue	-	194,618	-	-	-	-	-	-	-
Contributions	209,127	26,359	-	21,933	-	-	700	-	-
Total Public Support	1,113,956	2,416,212	-	21,933	-	-	700	-	-
Revenue									
Boat Program	-	-	-	-	-	-	-	-	-
Investment income (loss)	-	32,176	-	13,753	-	23,273	5	-	-
Other	400	-	-	140,001	-	-	4,293	38,787	70
Total revenue	400	32,176	-	153,754	-	23,273	4,298	38,787	70
Total public support and revenue	1,114,356	2,448,388	-	175,687	-	23,273	4,998	38,787	70
Expenses:									
Program Services	1,031,263	2,357,902	59,727	111,408	-	21,932	890	-	-
Management and general	155,180	32,950	2,928	907	1,165	1,188	248	38,787	3,064
Fundraising	-	-	-	-	-	-	-	-	-
Boat Program	-	-	-	-	-	-	-	-	-
Total expense	1,186,443	2,390,852	62,655	112,315	1,165	23,120	1,138	38,787	3,064
Change in Net assets	(72,087)	57,536	(62,655)	63,372	(1,165)	153	3,860	-	(2,994)
Net assets (deficit), beginning of the year	(512,911)	843,924	2,106,678	1,289,606	100,062	755,847	7,025	100	2,994
Net assets (deficit), end of the year	\$ (584,998)	\$ 901,460	\$ 2,044,023	\$ 1,352,978	\$ 98,897	\$ 756,000	\$ 10,885	\$ 100	\$ -

See Independent Auditors' Report.

AMikids, Inc. and Affiliates
Schedule II
Combining Schedule - Statement of Activities
Year ended June 30, 2016

	Total Before Eliminations	Eliminations	Total
Public Support and revenue:			
State support:			
Florida	\$ 19,969,278	\$ -	\$ 19,969,278
South Carolina	9,884,369	-	9,884,369
Louisiana	1,948,551	-	1,948,551
Texas	752,356	-	752,356
North Carolina	2,648,000	-	2,648,000
Missouri	717,274	-	717,274
Georgia	904,829	-	904,829
Federal support	6,880,768	-	6,880,768
Regional Revenue	9,909,360	-	9,909,360
Contributions	4,994,279	(1,447,859)	3,546,420
Total Public Support	58,609,064	(1,447,859)	57,161,205
Revenue			
Boat Program	7,412,903	-	7,412,903
Investment income (loss)	494,152	(421,984)	72,168
Other	4,925,231	(3,964,137)	961,094
Total revenue	12,832,286	(4,386,121)	8,446,165
Total public support and revenue	71,441,350	(5,833,980)	65,607,370
Expenses:			
Program Services	57,666,866	(5,258,739)	52,408,127
Management and general	7,041,691	(886,126)	6,155,565
Fundraising	402,154	-	402,154
Boat Program	6,289,765	(88,238)	6,201,527
Total expense	71,400,476	(6,233,103)	65,167,373
Change in Net assets	40,874	399,123	439,997
Net assets (deficit), beginning of the year	25,666,931	2,622,188	28,289,119
Net assets (deficit), end of the year	\$ 25,707,805	\$ 3,021,311	\$ 28,729,116

See Independent Auditors' Report.

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

The Board of Directors
AMikids, Inc. and Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of AMikids, Inc. and Affiliates (the "Organization"), which comprise the statement of financial position as of June 30, 2016, 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 September 20, 2016.

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 Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

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

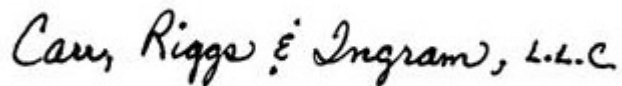
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive style.

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
September 20, 2016