

BETTER WAY OF MIAMI, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

September 30, 2010 and 2009

BETTER WAY OF MIAMI, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
September 30, 2010 and 2009

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FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Better Way of Miami, Inc.
Miami, Florida

We have audited the accompanying statement of financial position of Better Way of Miami, Inc. (a not-for-profit organization) ("Better Way") as of September 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Better Way's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Better Way of Miami, Inc. as of September 30, 2009, were audited by other auditors whose report dated February 16, 2010, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of Better Way as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2011 on our consideration of Better Way'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* and should be considered in assessing the results of our audit.

Better Way of Miami

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Better Way taken as a whole. The accompanying schedule of expenditures of Federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Single Audit Act, and is not a required part of the basic financial statements. Further, the schedules of program/cost center actual expenses and revenues and state earnings are also presented for purposes of additional analysis and are not a required part of the basic financial statements. All supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
March 16, 2011

BETTER WAY OF MIAMI, INC.
 STATEMENTS OF FINANCIAL POSITION
 September 30, 2010 and 2009

A S S E T S

	2010	2009
ASSETS:		
Cash and cash equivalents	\$ 123,803	\$ 371,251
Investments	860,587	753,513
Grants receivable	413,423	349,041
Accounts receivable, net	98,917	59,640
Inventory	29,714	20,449
Total current assets	1,526,444	1,553,894
Other assets	23,745	33,589
Property and equipment, net	2,191,531	2,139,962
Total assets	\$ 3,741,720	\$ 3,727,445

L I A B I L I T I E S A N D N E T A S S E T S

LIABILITIES:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 110,173	\$ 81,435
Accrued payroll and employee leave benefits	206,248	202,437
Accrued interest expense	104,754	92,376
Lease payable, current portion	4,980	-
Mortgages payable, current portion	132,500	45,000
Total current liabilities	558,655	421,248
Long-term liabilities:		
Lease payable, less current portion	4,297	-
Mortgages payable, less current portion	1,111,834	1,244,334
Total liabilities	1,674,786	1,665,582
COMMITMENTS AND CONTINGENCIES		
(Notes 4, 13 and 14)	-	-
NET ASSETS:		
Unrestricted	2,066,934	2,061,863
Total net assets	2,066,934	2,061,863
Total liabilities and net assets	\$ 3,741,720	\$ 3,727,445

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

BETTER WAY OF MIAMI, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2010 and 2009

	2010	2009
PUBLIC SUPPORT AND REVENUE:		
Grant revenue	\$ 3,449,013	\$ 3,367,754
Donated goods, services and facilities	625,647	655,897
Program fees	374,008	344,968
Other revenue	210,573	158,942
Other contributions	1,495	20,157
Total public support and revenue	4,660,736	4,547,718
EXPENSES:		
Program services:		
Level II Residential Substance Abuse	2,918,781	2,752,221
Single Room Apartment - Supportive Services	359,024	362,856
Scattered Site Sponsor-Based Rental Assistance	275,504	284,817
Warehouse	203,713	250,973
Single Room Occupancy - Better Way West	158,033	96,616
Intensive Outpatient	142,602	-
Better Way Apartments	18,676	55,635
Total program services	4,076,333	3,803,118
Supporting services:		
Management and general	579,332	522,961
Total supporting services	579,332	522,961
Total operating expenses	4,655,665	4,326,079
Income from operations	5,071	221,639
NONOPERATING ACTIVITIES:		
Gain of sale of property	-	1,072,280
Total nonoperating activities	-	1,072,280
Change in net assets	5,071	1,293,919
NET ASSETS, beginning of year, (as restated, Note 16)	2,061,863	767,944
NET ASSETS, end of year	\$ 2,066,934	\$ 2,061,863

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

BETTER WAY OF MIAMI, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2010

	Program Services					
	Level II Residential Substance Abuse					Single Room Apartment - Supportive Services
	Residential	Day/ Night	Outpatient	Medical Services	Total	
PERSONNEL EXPENSES:						
Salaries	\$ 829,528	\$ 87,207	\$ 1,274	\$ 123,763	\$ 1,041,772	\$ 128,925
Payroll taxes	63,159	6,969	129	9,315	79,572	9,041
Fringe - workers compensation, pension and health insurance	90,927	12,689	2,275	9,522	115,413	14,083
Total personnel expenses	<u>983,614</u>	<u>106,865</u>	<u>3,678</u>	<u>142,600</u>	<u>1,236,757</u>	<u>152,049</u>
OPERATING EXPENSES:						
Building occupancy, including donated facilities of \$ 552,696	428,429	66,337	4,473	718	499,957	70,204
Professional services	-	-	-	34,500	34,500	-
Travel	2,511	846	-	-	3,357	-
Equipment costs	8,958	779	88	-	9,825	2,373
Food services, including in-kind donations of \$ 18,455	15	-	-	-	15	35
Medical and pharmacy	11,045	-	-	31,797	42,842	-
Subcontracted services	2,720	-	-	2,050	4,770	-
Insurance	-	-	-	-	-	-
Interest	137	-	-	-	137	-
Operating supplies and expenses	26,551	16,928	-	95	43,574	4,191
Other	33,503	11,612	-	5,365	50,480	744
Donated items	-	-	-	-	-	-
Total operating expenses	<u>513,869</u>	<u>96,502</u>	<u>4,561</u>	<u>74,525</u>	<u>689,457</u>	<u>77,547</u>
Total personnel and expenses	<u>1,497,483</u>	<u>203,367</u>	<u>8,239</u>	<u>217,125</u>	<u>1,926,214</u>	<u>229,596</u>
INDIRECT EXPENSES:						
Provision for uncollectible accounts	22,490	52,476	-	-	74,966	-
Provision for depreciation	67,892	10,503	1,376	-	79,771	29,562
Penalties	-	-	-	-	-	-
Total indirect expenses	<u>90,382</u>	<u>62,979</u>	<u>1,376</u>	<u>-</u>	<u>154,737</u>	<u>29,562</u>
Allocation of management and general expenses	<u>651,349</u>	<u>88,457</u>	<u>3,584</u>	<u>94,440</u>	<u>837,830</u>	<u>99,866</u>
Total expenses	<u>\$ 2,239,214</u>	<u>\$ 354,803</u>	<u>\$ 13,199</u>	<u>\$ 311,565</u>	<u>\$ 2,918,781</u>	<u>\$ 359,024</u>

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

Program Services						Support Service	
Better Way Apartments	Scattered Site Sponsor-Based Rental Assistance	Single Room Occupancy Better Way West	Intensive Outpatient	Warehouse	Total Program Services	Management and General	Total
\$ 4,593	\$ 41,480	\$ 48,083	\$ 64,619	\$ 59,779	\$ 1,389,251	\$ 735,132	\$ 2,124,383
417	3,297	3,543	5,432	3,796	105,098	58,738	163,836
60	5,367	2,633	2,105	7,410	147,071	86,021	233,092
5,070	50,144	54,259	72,156	70,985	1,641,420	879,891	2,521,311
3,500	1,075	40,079	19,084	60,844	694,743	203,196	897,939
-	-	-	-	-	34,500	127,236	161,736
-	1,958	-	-	495	5,810	5,348	11,158
-	-	5,167	74	5,781	23,220	21,608	44,828
-	-	-	-	-	50	170,592	170,642
-	-	-	-	-	42,842	304	43,146
-	-	-	-	-	4,770	-	4,770
-	-	-	-	-	-	83,282	83,282
-	-	-	-	-	137	27,520	27,657
872	-	1,996	7,676	2,986	61,295	106,058	167,353
-	138,817	-	387	780	191,208	47,097	238,305
-	-	-	-	-	-	54,496	54,496
4,372	141,850	47,242	27,221	70,886	1,058,575	846,737	1,905,312
9,442	191,994	101,501	99,377	141,871	2,699,995	1,726,628	4,426,623
-	-	-	-	-	74,966	-	74,966
5,128	-	12,383	-	133	126,977	26,993	153,970
-	-	-	-	-	-	106	106
5,128	-	12,383	-	133	201,943	27,099	229,042
4,106	83,510	44,149	43,225	61,709	1,174,395	(1,174,395)	-
\$ 18,676	\$ 275,504	\$ 158,033	\$ 142,602	\$ 203,713	\$ 4,076,333	\$ 579,332	\$ 4,655,665

BETTER WAY OF MIAMI, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2009

Program Services

Level II Residential Substance Abuse

	Residential	Day/ Night	Outpatient	Medical Services	Total
PERSONNEL EXPENSES:					
Salaries	\$ 774,128	\$ 97,105	\$ 23,091	\$ 95,335	\$ 989,659
Payroll taxes	56,877	8,033	1,906	6,817	73,633
Fringe - workers compensation, pension and health insurance	70,520	12,095	2,499	6,498	91,612
Total personnel expenses	<u>901,525</u>	<u>117,233</u>	<u>27,496</u>	<u>108,650</u>	<u>1,154,904</u>
OPERATING EXPENSES:					
Building occupancy, including donated facilities of \$ 552,696	432,079	67,007	4,327	789	504,202
Professional services	-	-	-	37,700	37,700
Travel	1,221	60	-	-	1,281
Equipment costs	13,100	579	157	-	13,836
Food services, including in-kind donations of \$ 73,677	-	-	-	-	-
Medical and pharmacy	7,927	-	-	12,224	20,151
Subcontracted services	2,880	-	-	-	2,880
Insurance	-	-	-	-	-
Interest	-	-	-	-	-
Operating supplies and expenses	18,214	11,350	-	-	29,564
Other	50,710	13,877	28	1,011	65,637
Donated items	-	-	-	-	-
Total operating expenses	<u>526,131</u>	<u>92,873</u>	<u>4,512</u>	<u>51,724</u>	<u>675,251</u>
Total personnel and expenses	<u>1,427,656</u>	<u>210,106</u>	<u>32,008</u>	<u>160,374</u>	<u>1,830,155</u>
INDIRECT EXPENSES:					
Provision for uncollectible accounts	14,000	6,000	-	-	20,000
Provision for depreciation	72,941	8,105	-	-	81,046
Penalties	-	-	-	-	-
Total indirect expenses	<u>86,941</u>	<u>14,105</u>	<u>-</u>	<u>-</u>	<u>101,046</u>
Allocation of management and general expenses	<u>640,462</u>	<u>94,254</u>	<u>14,359</u>	<u>71,945</u>	<u>821,020</u>
Total expenses	<u>\$ 2,155,059</u>	<u>\$ 318,465</u>	<u>\$ 46,367</u>	<u>\$ 232,319</u>	<u>\$ 2,752,221</u>

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

Program Services						Support Service	
Single Room Apartment Supportive Services	Better Way Apartments	Scattered Site Sponsor-Based Rental Assistance	Single Room Occupancy Better Way West	Warehouse	Total Program Services	Management and General	Total
\$ 127,138	\$ 5,304	\$ 44,087	\$ 15,029	\$ 79,535	\$ 1,260,752	\$ 668,253	\$ 1,929,005
9,041	400	3,413	934	6,304	93,725	52,384	146,109
14,083	684	4,040	1,327	5,741	117,487	80,989	198,476
150,262	6,388	51,540	17,290	91,580	1,471,964	801,626	2,273,590
72,392	22,533	135,919	30,234	67,820	833,100	209,740	1,042,840
-	425	-	-	-	38,125	106,917	145,042
131	26	2,253	53	-	3,744	7,274	11,018
2,935	72	-	6,533	874	24,250	20,758	45,008
-	-	-	-	-	-	206,040	206,040
702	96	33	2,658	-	23,640	-	23,640
-	-	-	-	-	2,880	-	2,880
-	-	-	-	-	-	87,713	87,713
1	2,852	-	-	2,962	5,815	19,595	25,410
-	429	-	699	54	30,746	112,152	142,898
1,962	2,045	6,870	621	3,995	81,130	48,790	129,920
-	-	-	-	2,667	2,667	26,857	29,524
78,123	28,478	145,075	40,798	78,372	1,046,097	845,836	1,891,933
228,385	34,866	196,615	58,088	169,952	2,518,061	1,647,462	4,165,523
-	-	-	-	-	20,000	-	20,000
32,016	5,128	-	12,470	4,780	135,440	-	135,440
-	-	-	-	-	-	5,116	5,116
32,016	5,128	-	12,470	4,780	155,440	5,116	160,556
102,455	15,641	88,202	26,058	76,241	1,129,617	(1,129,617)	-
\$ 362,856	\$ 55,635	\$ 284,817	\$ 96,616	\$ 250,973	\$ 3,803,118	\$ 522,961	\$ 4,326,079

BETTER WAY OF MIAMI, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,071	\$ 1,293,919
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Provision for depreciation	153,970	135,440
Forgiveness of debt	(35,000)	(35,000)
Gain on sale of property	-	(1,072,280)
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
(Increase) decrease in grants receivable	(64,382)	(29,398)
(Increase) decrease in accounts receivable	(39,277)	(54,247)
(Increase) decrease in inventory	(9,265)	9,903
(Increase) decrease in other assets	9,844	19,900
Increase (decrease) in accounts payable and accrued expenses	28,738	26,569
Increase (decrease) in accrued payroll and employee leave benefits	3,811	9,665
Increase (decrease) in accrued interest expense	12,378	-
Increase (decrease) in refundable advances	-	1,350
Net cash provided by operating activities	65,888	305,821
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property	-	1,300,750
Purchases and sales of investments, net	(107,074)	(753,513)
Purchases of property, plant and equipment	(190,605)	(63,435)
Net cash provided by (used in) investing activities	(297,679)	483,802
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on mortgage notes	(10,000)	(530,566)
Payments on capital lease obligations	(5,657)	-
Payments on line of credit	(30,000)	(65,000)
Proceeds from line of credit	30,000	40,000
Net cash used in financing activities	(15,657)	(555,566)
Net increase (decrease) in cash and cash equivalents	(247,448)	234,057
CASH AND CASH EQUIVALENTS, beginning of year	371,251	137,194
CASH AND CASH EQUIVALENTS, end of year	\$ 123,803	\$ 371,251

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

BETTER WAY OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE 1 - ORGANIZATION AND OPERATIONS

Better Way of Miami, Inc. ("Better Way") was incorporated in Florida in May 1984 as a not-for-profit corporation to provide direct treatment and housing services for individuals suffering from the disease of chemical and co-dependencies, to establish and operate treatment and housing programs that meet the needs of the community for the care of indigent and homeless persons with the purpose of helping individuals become productive, clean, sober and self sufficient members of society.

Better Way occupies a two-story facility at 800 and 820 N.W. 28th Street in Miami, Florida, leased and financed (Note 9) from the City of Miami with two adjacent buildings. The three buildings occupy a total of 35,000 square feet. Among other things the lease agreement (Note 4) requires that Better Way bear the costs of re-zoning and renovation of the buildings. Better Way subleases one (the center) building on the complex to the Greater Miami Service Corps. ("GMSC").

In May 1995, Better Way acquired a fully renovated apartment complex with 56 efficiency units to provide affordable permanent housing to homeless, low income individuals. The property known as "Better Way Apartments" is located at 665 N.W. 17th Street in Miami, Florida. The building is currently financed by means of two separate mortgages (Note 9). Better Way started renting these units in July 1995.

In October 2002, Better Way acquired another apartment complex to provide affordable housing to homeless, low income individuals. The property known as "Better Way North" is located at 989 N.W. 28th Street in Miami, Florida. The property was originally financed by debts in the amount of \$ 176,000, which were paid off in 2008.

In March 2007, Better Way acquired a two story four bedroom apartment complex located at 1405 N.W. 60th Street, Miami, Florida. This complex was acquired to provide low-income homeless families primarily from Liberty City with rental assistance housing. This property was acquired by the Affordable Housing Trust Fund (City of Miami) and has a note payable that will be forgiven at the end of 20 years based on Better Way's satisfaction of certain conditions (Note 9).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The financial statements are prepared on the accrual basis of accounting in accordance with the AICPA Industry Audit Guide, *Audits of Certain Non-Profit Organizations*. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958 *Not-for-Profit Entities*, formerly Statement of Financial Accounting Standards No. 117. Under ASC No. 958, Better Way is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Better Way had no temporarily or permanently restricted net assets at September 30, 2010 and 2009.

BETTER WAY OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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. Actual results could differ from those estimates.

Income taxes:

Better Way qualified as a not-for-profit corporation exempt from Federal income taxes under Internal Revenue Code 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Restricted and unrestricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature or any donor restrictions. Noncash contributions are recorded at their fair value on the date received.

Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statements of activities as net assets released from restrictions.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Better Way had no unconditional or conditional promises to give at September 30, 2010.

Concentration of credit risk:

Financial instruments which potentially subject Better Way to concentration of credit risk include accounts receivable. Accounts receivable are comprised of amounts due from clients and tenants. These accounts receivable are unsecured and generally remain outstanding for periods greater than 90 days.

Inventory:

Inventory consists of donated food and furniture. Donations are stated at fair market value. Purchased inventory is stated at current replacement cost and the resulting carrying amounts are not significantly different from that which would result if the lower of cost (first-in, first-out method) or market were used.

BETTER WAY OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments:

In accordance with Accounting Standards Codification No. 958-320 and 325, *Not-for-Profit Entities, Investments*, (formerly SFAS No. 124), investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are recorded and included in the change in net assets. Investments include money market funds and certificates of deposits with an original maturity of more than four (4) months.

Accounts receivable:

Accounts receivable are recorded on the accrual basis of accounting based on services provided, net of allowance for doubtful accounts. At September 30, 2010 and 2009, accounts receivable are recorded net of allowance for doubtful accounts of \$ 107,571 and \$ 31,539, respectively.

Grant revenue /receivable:

Grant revenue is recognized when the allowable costs as defined by the individual grants are incurred and/or the units of services have been provided. Grants receivable at year end represent units of services performed and/or allowable expenditures, which have not yet been reimbursed by the granting agency.

Cash and cash equivalents:

Better Way considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Better Way maintains its cash balances in financial institutions located in Florida, which at times, have exceeded Federally insured limits. Amounts are maintained with what management believes to be quality financial institutions.

Property and equipment:

Acquisitions greater than \$ 1,000 with a useful life longer than one (1) year are capitalized. Property and equipment are stated at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Lease obligations for which Better Way assumes all property rights and risks of ownership are capitalized. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs of minor units of property are charged to expense when incurred. Depreciation of property and equipment is provided using the straight line method, at rates based on the estimated useful lives of the property and equipment which range from 3 to 30 years.

Accrued employee leave benefits:

Better Way's policies provide for granting of a specific number of days of paid time off (PTO) with pay. In addition, these policies provide for paying an employee for unused PTO upon termination. Accrued employee leave benefits are accrued when earned and are calculated at current salary rates.

BETTER WAY OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Refundable advance:

Better Way's policy is to record a restricted grant award as a refundable advance until it is expended for the purpose of the grant, at which time it becomes unconditional and is recognized as revenue.

Support and revenue recognition:

A substantial amount of Better Way's support is derived from Federal, state, and local government grants and public contributions. Grant revenue is recognized as support in the period in which the reimbursable costs are incurred and/or the units of services have been provided. Contributions are recognized as support in the period which they are received. Program service fees are recognized as revenue in the period in which the services are rendered.

Donated services:

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets and (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased.

Donated goods and facilities:

Better Way records the value of donated goods and facilities when there is an objective basis available to measure the value. Donated facilities, materials and furniture/equipment are reflected as support in the accompanying statements of activities at their estimated fair value at date of receipt.

Allocation of supporting services expenses:

Expenses directly related to program services, where administrative personnel are infrequently associated, are charged directly to program services. Indirect expenses of administrative overhead are allocated according to the Simplified Allocation Method described in OMB Circular A-122 using total direct costs as the distribution base.

Imputed interest:

Noninterest bearing loans have interest imputed using average balances and at current interest rates. The interest rate used for the years ended September 30, 2010 and 2009 was Prime at 3.25%.

Reclassifications:

Certain accounts in the prior year financial statements have been reclassified to conform to presentation in the current year financial statements.

Date of management review:

Subsequent events were evaluated through March 16, 2011, which is the date the financial statements were available for issuance.

BETTER WAY OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE 3 - GRANTS RECEIVABLE

The grants receivable balance was comprised as follows for the years ended September 30:

	2010	2009
Miami Dade County, Florida, Homeless Trust -		
Supportive Housing Program	\$ 159,224	\$ 89,461
Ryan White Title 1	104,530	103,638
South Florida Behavioral Health Network, Inc.	57,745	60,516
Other receivables	54,056	62,425
State of Florida Department of Corrections	37,868	33,001
Total	\$ 413,423	\$ 349,041

NOTE 4 - OPERATING LEASE

Better Way leases certain facilities from the City of Miami, Florida under an operating lease agreement which started in February 1992. The lessor reserves the right to cancel this lease by giving a forty-five (45) day notice to vacate but only in the event that the lessor decides that the leased property is needed for a specific public purpose and if the lessor pays Better Way certain costs and expenses. The operating lease agreement terminates in December 2016. The agreement is silent as to renewals, escalation clauses, or purchase options. The lessee may not sublease or assign any part of the leased property without the authorization of the City of Miami and after approval by the City of Miami Commission. The annual rental for the building is \$ 1 per year (Note 1). During the years ended September 30, 2010 and 2009, donated facilities (Note 11) amounted to approximately \$ 552,700.

Better Way leases certain office space, and office equipment under non-cancellable agreements accounted for as operating leases. Monthly base rent payments amount to approximately \$ 4,800 through September 2011 and at lesser amounts thereafter and through April 2013.

The future minimum lease payments relative to the operating leases at September 30, 2010 are approximately as follows:

Year Ending September 30,	
2011	\$ 57,200
2012	3,200
2013	1,900
	\$ 62,300

Rent expense under the above operating lease agreements, and other expired arrangements, charged to operations for the years ended September 30, 2010 and 2009 were approximately \$ 70,800 and \$ 67,600, respectively.

BETTER WAY OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE 5 - INVESTMENTS

Investments at September 30 are stated at fair market value as follows:

Asset Class		2010		2009
Money market funds	\$	601,629	\$	246,488
Certificates of deposit		258,958		507,025
	\$	860,587	\$	753,513

NOTE 6 - FAIR VALUE MEASUREMENTS

ASC No. 820, *Fair Value Measurements and Disclosures* (formerly SFAS No. 157) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This 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 measurements involving significant unobservable inputs (Level 3 measurements). Better Way uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that Better Way has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly (e.g. quoted prices in actual markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 inputs are that unobservable inputs for the investments (e.g. information about assumptions, including risk, market participations would use in pricing a security).

The level in the fair value hierarchy within a fair measurement in its entirety falls is based on lowest level input that is significant to the fair value measurement in its entirety. The input or methodology used for valuing securities is not necessarily an indicator of risk associated with investing in those securities. At September 30, 2010 and 2009, the fair value of investments by type was as follows:

Asset Class	Level 1	Level 2	Level 3	Total 2010	Total 2009
Money market funds	\$ -	\$ 601,629	\$ -	\$ 601,629	\$ 246,488
Certificates of deposit	-	258,958	-	258,958	507,025
	-	\$ 860,587	-	\$ 860,587	\$ 753,513

BETTER WAY OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30, consists of the following:

	2010	2009
Building and improvements	\$ 2,500,287	\$ 2,493,751
Equipment	639,418	440,416
Vehicles	240,433	240,433
	3,380,138	3,174,600
Less accumulated depreciation	1,377,607	1,223,638
	2,002,531	1,950,962
Land	189,000	189,000
	\$ 2,191,531	\$ 2,139,962

Depreciation expense was approximately \$ 154,000 and \$ 136,000 for the years ending September 30, 2010 and 2009, respectively.

Certain real estate property has been pledged as collateral for amounts due on mortgages payable. As stated in Note 8, substantially all business assets of Better Way have been pledged as collateral for amounts due on lines of credit.

NOTE 8 - LINE OF CREDIT

	2010	2009
Borrowing against a \$ 100,000 available line of credit agreement with a financial institution. The line of credit bears interest at the prevailing Citibank of New York Prime interest rate. At September 30, 2010 and 2009, prime interest rate was 3.25%. Principal is due on demand. This line of credit is secured by substantially all business assets of Better Way.	\$ --	\$ --
	\$ --	\$ --

NOTE 9 - MORTGAGES PAYABLE

The following is a summary of mortgages payable at September 30:

	2010	2009
Mortgage note payable to Miami-Dade County, Florida, (through the Miami-Dade County Homeless Trust) secured by a mortgage on the property located at 665 N.W. 17th Street, Miami, Florida. Although this note bears interest at the rate of 1 % per annum, no interest payments or repayment of principal will be made for the 20 year term of this note if the Better Way has complied with all of the conditions and requirements contained within the security documents. In which case, starting in May 2011, all outstanding principal and interest payments will be forgiven at the rate of 20% each year.	\$ 525,000	\$ 525,000

BETTER WAY OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE 9 – MORTGAGES PAYABLE (continued)

	2010	2009
<p>Mortgage note payable to City of Miami, Florida (Note 16) (through Affordable Housing Trust Fund) secured by a mortgage on the property located at 1405 N.W. 60th Street, Miami, Florida. This note bears interest at the rate of 0% per annum, no interest payments or repayment of principal will be made for the 20 year term of this note if the Better Way has complied with all of the conditions and requirements contained within the security documents. In which case, all outstanding principal and interest payments will be forgiven in July 2027.</p>	200,000	200,000
<p>Mortgage note payable to Miami-Dade County, Florida secured by a mortgage on the property located at 800 and 820 N.W. 28th Street, Miami, Florida. This note bears interest at 3% per annum. Upon completion of construction, principal and interest payments are due, subject to available cash flow, for the next thirty years. All principal and interest payments not made during a fiscal year shall be deferred and become due and payable on the maturity date, June 2028.</p>	196,000	196,000
<p>Non-interest-bearing mortgage note payable to the City of Miami, Florida secured by a second mortgage on the property located at 800 and 820 N.W. 28th Street, Miami, Florida. This note is payable in 120 equal installments of \$ 833 with a balloon payment due November 1, 2018.</p>	180,834	190,834
<p>Mortgage note payable to Miami-Dade County, Florida (through Affordable Housing Trust Fund) secured by a mortgage on the property located at 800 and 820 N.W. 28th Street, Miami, Florida. This note bears interest at the rate of 1% per annum, no interest payments or repayment of principal will be made for the 20 year term of this note if Better Way has complied with all of the conditions and requirements contained within the security documents. In which case, starting June 2014, all outstanding principal and interest payments will be forgiven at a rate of 20% each year through June 2018.</p>	125,000	125,000

BETTER WAY OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE 9 - MORTGAGES PAYABLE (continued)

	2010	2009
Mortgage note payable to a financial institution under the Affordable Housing Program Direct Subsidy Grant of the Federal Reserve Bank of Atlanta, Georgia dated August 1996. The note is secured by a mortgage on the property located at 665 NW 17th Street, Miami, Florida. This note bears no interest and, in accordance with the terms of the agreement, the financial institution has agreed to forgive on an annual basis 1/15th of the original outstanding obligation secured by the mortgage. Better Way must comply with the various requirements of the agreement otherwise interest could be charged at rates not exceeding the rates allowed by applicable law.	<u>17,500</u>	<u>52,500</u>
Total mortgages payable	\$ <u><u>1,244,334</u></u>	\$ <u><u>1,289,334</u></u>

Future estimated aggregate maturities of mortgages note payable, including forgivable mortgages, are approximately as follows:

Year Ending <u>September 30,</u>	
2011	\$ 132,500
2012	115,000
2013	115,000
2014	140,000
2015	140,000
Thereafter	<u>601,800</u>
	1,244,300
Current portion	<u>(132,500)</u>
	<u>\$ 1,111,800</u>

For the years ended September 30, 2010 and 2009, interest costs were incurred totaling \$ 27,657 (including imputed interest of \$ 13,677) and \$ 25,410 (including imputed interest of \$ 15,140), respectively.

NOTE 10- CAPITAL LEASE

Better Way leases certain office equipment under a capital lease requiring monthly payments of \$ 552 through October 2012. The asset under this lease was recorded at the lower of the present value of the future minimum lease payments or the fair value of the asset and is included with property and equipment on the accompanying statements of financial position.

BETTER WAY OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE 10- CAPITAL LEASE (continued)

At September 30, 2010, future aggregated minimum payments required under this capital lease are as follows:

<u>Year Ending</u> <u>September 30,</u>		
2011	\$	6,264
2012		6,264
		12,528
Less: Amount representing interest		(3,251)
Present value of minimum lease payments		9,277
Less current portion		(4,980)
	\$	4,297

NOTE 11- DONATED GOODS, SERVICES AND FACILITIES

As discussed in Notes 1 and 4, Better Way rents certain facilities from the City of Miami, Florida for a nominal amount. The fair market value of the donated rent is recorded as contributions and a corresponding expense. During the years ended September 30, 2010 and 2009, Better Way recorded \$ 552,696 for donated rent. Donated supplies are recorded as contributions and a corresponding expense at their estimated fair value at the date of donation. During the years ended September 30, 2010 and 2009, Better Way recorded \$ 54,496 and \$ 29,524, respectively, in such donations, primarily consisting of supplies and furnishing and allocated to several of Better Way's programs. Donated food is recorded as contributions and a corresponding expense at their estimated fair value at the date of donation. During the years ended September 30, 2010 and 2009, Better Way recorded \$ 18,455 and \$ 73,677, respectively, in such donations, which is allocated to several of Better Way's programs.

During the years ended September 30, 2010 and 2009, the value of contributed services meeting requirements for recognition in the financial statements was not material and is not recorded. Better Way pays for most service requiring specific expertise. However, individuals volunteer and perform a variety of tasks that assist with specific programs, administrative functions and various committee assignments.

NOTE 12 - RETIREMENT PLAN

Better Way has available a 401(k) Retirement Plan (the "Plan") covering all employees with over one year of full-time service (1,000 hours) and attaining the age of 21 years. At the discretion of the Board of Directors, Better Way may make matching contributions to the plan of an amount up to 100% percent of the participants elected deferrals not to exceed 2.5% of each individual amount of compensation. Total matching contributions allocated to the plan were approximately \$ 24,000 for the years ended September 30, 2010 and 2009.

BETTER WAY OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE 13 - CONTINGENCIES

Better Way receives a significant portion of its funding from public grants, a significant reduction in the level of this funding, if this were to occur, could have a material effect on Better Way's ability to carry out its programs and activities.

A portion of Better Way's real property was originally acquired and/or improved with funds provided under contracts with Miami-Dade County, Florida, and other funders. Certain "special provisions" of these contracts require that the real property be used for specified purposes during a period of time. If these properties are no longer necessary for regular operations, Better Way must obtain approval from Miami-Dade County, Florida to use these properties for other purposes. Miami-Dade County's claim to these properties are evidenced by recorded mortgages.

NOTE 14 - GRANTS FOR OPERATIONS

Funding agreements for services to be provided are principally entered into on an annual basis. The release of funds is subjected to monies made available by the Federal government, the State of Florida, local municipalities and other grantor agencies. Certain of the agreements may be terminated by either party upon thirty days written notice. However, such an event would be unlikely if contract performance continues to be satisfactory and grantors' annual budgets are authorized by each respective governing body.

Cost reflected in the accompanying financial statements relating to government funded programs are subject to audit by the grantor agency. The possible disallowance by the grantor agency of any item charged to the program, if any, cannot be determined at this time. No provision for a liability that may result has been made in the financial statements.

Certain funding arrangements require Better Way to provide additional services on a specified matching basis. In all such contract arrangements, Better Way has met its matching requirements. Matching requirements fulfilled for the year ended September 30, 2010 are as follows:

<u>Grantor Agency</u>	<u>Contract Number</u>	<u>Matching Requirement</u>
State of Florida Department of Children and Families and South Florida Behavioral Network, Inc.	KD228-23	\$ 159,934
Lutherian Services Florida, Inc., Access Program	FL14B800002	\$ 10,074
Lutherian Services Florida, Inc., Partner Program	FL14B800031	\$ 14,388
Miami-Dade County, Florida Homeless Trust - Supportive Housing Program	FL0240B4D000801	\$ 79,229
Miami-Dade County, Florida Homeless Trust - Supportive Housing Program	FL0230B4D000801	\$ 43,791

BETTER WAY OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE 15 – SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Other Cash Flow Information:

	<u>2010</u>	<u>2009</u>
Cash paid during the year for -		
Interest expense	\$ 1,591	\$ 1,639

Noncash Investing and Financing Activities:

	<u>2010</u>	<u>2009</u>
Acquisition of property and equipment - Cost of property and equipment	\$ 205,539	\$ 63,435
Less: debt/lease issued	<u>14,934</u>	<u>-</u>
Cash paid for property and equipment	<u>\$ 190,605</u>	<u>\$ 63,435</u>
Payments on debt forgiven	<u>\$ 35,000</u>	<u>\$ 35,000</u>
Imputed interest	<u>\$ 13,677</u>	<u>\$ 15,140</u>

NOTE 16 – PRIOR PERIOD ADJUSTMENT

In prior years, Better Way understated the outstanding balance of mortgage payable to the City of Miami, Florida. For the years ended September 30, 2009 and 2008, Better Way recorded forgiveness of debt of \$ 40,000 each year totaling \$ 80,000, which resulted in a restatement of net assets. The restatement decreased net assets, as previously reported at September 30, 2009, by \$ 80,000. Change in net assets as previously reported has been restated and decreased by \$ 40,000 for the year ended September 30, 2009.

SUPPLEMENTAL INFORMATION

BETTER WAY OF MIAMI, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 For the Year Ended September 30, 2010

Federal Agency, Pass-through Entity, Federal Program/State Project	CFDA Number	Contract/ Grant Number	Expenditures
FEDERAL AGENCY NAME:			
Indirect Programs:			
U.S. Department of Health and Human Services -			
Passed through Miami-Dade County, Florida -			
HIV Emergency Relief Project Grant (Ryan White Title I)			
	93.914	GC0320 and BU318M	\$ 538,958
Passed through State of Florida Department of Children and Families and South Florida Behavioral Health Network, Inc. -			
Block Grants for Prevention and Treatment of Substance Abuse			
	* 93.959	KD228-23	<u>436,897</u>
Total U.S. Department of Health and Human Services			<u>975,855</u>
U.S. Department of Housing and Urban Development -			
Passed through Miami-Dade County, Florida, Homeless Trust			
Supportive Housing Program			
	* 14.235	FL0229B4D000801, FL0229B4D000802, FL0230B4D000801, and FL0240B4D000801	613,039
Passed through Lutheran Services Florida, Inc. -			
Supportive Housing Program - Access Program			
	* 14.235	FL0168B4D000802 and FL14B800031	42,956
Supportive Housing Program - Partners Program			
	* 14.235	FL0218B4D000802 and FL14B80002	157,312
Passed through Miami-Dade County Florida, Homeless Trust -			
Shelter Plus Care			
	14.238	--	389,388

BETTER WAY OF MIAMI, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 2010
(continued)

Federal Agency, Pass-through Entity, Federal Program/State Project	CFDA Number	Contract/ Grant Number	Expenditures
Indirect Programs (continued):			
Passed through Miami-Dade County, Florida, Homeless Trust - Mortgage Insurance for Single Room Occupancy (SRO) Projects	14.184	--	168,045
Community Development Block Grant (CDBG)/Entitlement Grants - Better Way East and West Renovation Project Building	14.218	CD534B03CI CD535B01CI	<u>95,286</u>
Total U.S. Department of Housing and Urban Development			<u>1,466,026</u>
U.S. Department of Agriculture - Supplemental Nutrition Assistance Program	10.551	--	<u>283,403</u>
Total expenditures of Federal Awards			<u>\$ 2,725,284</u>
STATE AGENCY NAME:			
Direct Projects:			
State of Florida Department of Children and Families and South Florida Behavioral Health Network, Inc. - Substance Abuse Treatment and Aftercare Services for Adults	60.033	KD228-23	\$ 220,473
Adult Community Mental Health - Community Support Services	60.053	KD228-23	74,697
State of Florida Department of Corrections - Substance Abuse Services	* 70.016	C2218	<u>451,727</u>
Total expenditures of State Financial Assistance			<u>\$ 746,897</u>

Note: This schedule was prepared on the accrual basis of accounting.

* Denotes a major program/project

BETTER WAY OF MIAMI, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
For the Year Ended June 30, 2010

FUNDING SOURCES & REVENUES	Adult Substance Abuse			Adult Mental Health		Total for State SAMH-Funded Cost Centers	Total for Non-SAMH Cost Centers	Other Support	Administration	Total Funding
	Residential	Day/Night	Outpatient	Medical	Intervention					
STATE SAMH FUNDING:										
100610 Adult substance abuse (19M17)	\$ -	\$ -	\$ -	\$ 80,787	\$ -	\$ 80,787	\$ -	\$ -	\$ -	\$ 80,787
100618 Adult substance abuse (270G7)	462,176	164,892	-	-	-	627,068	-	-	-	627,068
100618 Adult substance abuse (27HIV)	-	-	-	-	19,850	19,850	-	-	-	19,850
Total State SAMH Funding	462,176	164,892	-	80,787	19,850	727,705	-	-	-	727,705
OTHER GOVERNMENT FUNDING:										
Other state agency funding	161,781	275,463	19,483	-	-	456,727	-	-	-	456,727
Medicaid	-	-	1,141	57,158	-	58,299	-	-	-	58,299
Federal grants and contracts	657,295	203,181	6,551	-	-	867,027	472,084	539,180	260,355	2,138,646
In-kind from local government only	276,347	55,270	-	-	27,635	359,252	55,270	-	138,174	552,696
Total other government funding	1,095,423	533,914	27,175	57,158	27,635	1,741,305	527,354	539,180	398,529	3,206,368
ALL OTHER REVENUES:										
First and second party payments	19,384	91,496	8,225	-	-	119,105	65,757	166,501	-	351,363
Contributions and donations	-	-	-	-	-	-	195	50,430	47,050	97,675
Other	14	750	-	-	-	764	2,288	11,110	221,821	235,983
Total all other revenues	19,398	92,246	8,225	-	-	119,869	68,240	228,041	268,871	685,021
Total funding	\$ 1,576,997	\$ 791,052	\$ 35,400	\$ 137,945	\$ 47,485	\$ 2,588,879	\$ 595,594	\$ 767,221	\$ 667,400	\$ 4,619,094

BETTER WAY OF MIAMI, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
For the Year Ended June 30, 2010
(continued)

EXPENSE CATEGORIES	Adult Substance Abuse			Adult Mental Health	
	Residential	Day/Night	Outpatient	Medical	Intervention
PERSONNEL EXPENSES					
Salaries	\$ 673,344	\$ 87,176	\$ 7,343	\$ 115,636	\$ 22,209
Fringe benefits	128,558	19,061	2,924	16,841	5,045
Total personnel expenses	<u>801,902</u>	<u>106,237</u>	<u>10,267</u>	<u>132,477</u>	<u>27,254</u>
OTHER EXPENSES					
Building occupancy	332,631	66,607	5,125	784	32,774
Professional services	-	-	-	35,250	-
Travel	1,235	-	-	-	-
Equipment	15,125	367	178	-	184
Food services	15	-	-	-	-
Medical and pharmacy	11,099	-	-	24,769	-
Subcontracted services	2,720	-	-	1,850	-
Insurance	-	-	-	-	-
Interest	137	-	-	-	-
Operating supplies and expenses	41,775	12,816	-	-	-
Other	53,268	25,985	1,043	4,187	3,668
Donated items	-	-	-	-	-
Total other expenses	<u>458,005</u>	<u>105,775</u>	<u>6,346</u>	<u>66,840</u>	<u>36,626</u>
Total personnel and other expenses	<u>1,259,907</u>	<u>212,012</u>	<u>16,613</u>	<u>199,317</u>	<u>63,880</u>
DISTRIBUTED INDIRECT COSTS					
Other support costs	347,198	58,424	4,578	54,926	17,603
Administration	567,606	94,900	8,369	87,918	27,570
Total distributed indirect costs	<u>914,804</u>	<u>153,324</u>	<u>12,947</u>	<u>142,844</u>	<u>45,173</u>
Total actual expenses	<u>2,174,711</u>	<u>365,336</u>	<u>29,560</u>	<u>342,161</u>	<u>109,053</u>
UNALLOWABLE COSTS					
Total allowable expenses	<u>\$ 2,174,711</u>	<u>\$ 365,336</u>	<u>\$ 29,560</u>	<u>\$ 342,161</u>	<u>\$ 109,053</u>
CAPITAL EXPENDITURES					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BETTER WAY OF MIAMI, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
For the Year Ended June 30, 2010
(continued)

EXPENSE CATEGORIES	Total for State- Funded AMH Cost Centers	Total for Non-State- Funded SAMH Cost Centers	Total for all State-Designated SAMH Cost Centers	Non- SAMH Cost Center	Other Support Costs	Administration	Total Expenses
PERSONNEL EXPENSES							
Salaries	\$ 905,708	\$ 142,626	\$ 1,048,334	\$ 206,508	\$ 363,113	\$ 406,768	\$ 2,024,723
Fringe benefits	172,429	18,938	191,367	36,861	69,646	80,052	377,926
Total personnel expenses	<u>1,078,137</u>	<u>161,564</u>	<u>1,239,701</u>	<u>243,369</u>	<u>432,759</u>	<u>486,820</u>	<u>2,402,649</u>
OTHER EXPENSES							
Building occupancy	437,921	79,104	517,025	119,435	230,308	54,989	921,757
Professional services	35,250	-	35,250	-	60	127,526	162,836
Travel	1,235	119	1,354	2,102	225	5,521	9,202
Equipment	15,854	441	16,295	9,742	3,298	18,033	47,368
Food services	15	-	15	35	163,282	123	163,455
Medical and pharmacy	35,868	-	35,868	16	133	98	36,115
Subcontracted services	4,570	-	4,570	-	-	-	4,570
Insurance	-	-	-	-	14,977	83,957	98,934
Interest	137	-	137	-	-	1,412	1,549
Operating supplies and expenses	54,591	465	55,056	6,370	69,306	24,725	155,457
Other	88,151	16,124	104,275	173,402	14,898	102,919	395,494
Donated items	-	-	-	-	27,032	-	27,032
Total other expenses	<u>673,592</u>	<u>96,253</u>	<u>769,845</u>	<u>311,102</u>	<u>523,519</u>	<u>419,303</u>	<u>2,023,769</u>
Total personnel and other expenses	<u>1,751,729</u>	<u>257,817</u>	<u>2,009,546</u>	<u>554,471</u>	<u>956,277</u>	<u>906,123</u>	<u>4,426,418</u>
DISTRIBUTED INDIRECT COSTS							
Other support costs	482,729	71,047	553,776	152,797	(956,277)	249,704	-
Administration	786,363	116,082	902,445	253,382	-	(1,155,827)	-
Total distributed indirect costs	<u>1,269,092</u>	<u>187,129</u>	<u>1,456,221</u>	<u>406,179</u>	<u>(956,277)</u>	<u>(906,123)</u>	<u>-</u>
Total actual expenses	<u>3,020,821</u>	<u>444,946</u>	<u>3,465,767</u>	<u>960,650</u>	<u>-</u>	<u>-</u>	<u>4,426,418</u>
UNALLOWABLE COSTS							
Total allowable expenses	-	-	-	4,291	-	-	4,291
CAPITAL EXPENDITURES	\$ 3,020,821	\$ 444,946	\$ 3,465,767	\$ 964,941	\$ -	\$ -	\$ 4,422,127
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BETTER WAY OF MIAMI, INC.
SCHEDULE OF STATE EARNINGS
For the Year Ended September 30, 2010

Total expenditures	\$ 4,655,665
Less: Other state and Federal funds	(2,763,524)
Less: Nonmatch ADM funds	(248,066)
Less: Unallowable costs per 65E-14, FAC	(75,072)
Less: Unallowable patient fees	<u>(374,008)</u>
Total allowable expenditures	<u>1,194,995</u>
Maximum available earnings	896,246
Amount of state funds received	<u>484,001</u>
Amount due to department	\$ <u><u>412,245</u></u>

Note: A negative amount indicates an amount due to the State up to the amount received during the year.

INTERNAL CONTROLS AND COMPLIANCE



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*

To the Board of Directors
Better Way of Miami, Inc.
Miami, Florida

We have audited the financial statements of Better Way of Miami, Inc., (a not-for-profit organization) ("Better Way"), as of and for the year ended September 30, 2010, and have issued our report thereon dated March 16, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Better Way's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Better Way's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Better Way's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Better Way of Miami, Inc.'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*.

Better Way of Miami, Inc.

This report is intended solely for the information and use of management, the Board of Directors, others within Better Way, Federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
March 16, 2011



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

To the Board of Directors
Better Way of Miami, Inc.
Miami, Florida

Compliance

We have audited Better Way of Miami, Inc. (a not-for-profit organization) ("Better Way") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of its major Federal programs and state projects for the year ended September 30, 2010. Better Way's major Federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and state projects is the responsibility of Better Way's management. Our responsibility is to express an opinion on Better Way's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or state project occurred. An audit includes examining, on a test basis, evidence about Better Way'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. Our audit does not provide a legal determination on Better Way of Miami, Inc.'s compliance with those requirements.

In our opinion, Better Way complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs and state projects for the year ended September 30, 2010.

Internal Control over Compliance

The management of Better Way is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs and state projects. In planning and performing our audit, we considered Better Way's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program and state projects to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Better Way's internal control over compliance.

Better Way of Miami, Inc.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program and 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 Federal program or state project will not be prevented, or detected, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within Better Way, Federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
March 16, 2011

BETTER WAY OF MIAMI, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2010

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Better Way of Miami, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Better Way of Miami, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major Federal programs and state project are reported in the Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General.
5. The auditors' report on compliance for the major Federal programs and state project for Better Way of Miami, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major Federal programs and state project for Better Way of Miami, Inc. reported in Part C of this schedule.

7. The programs/project tested as major programs/project includes the follows:

Federal Programs:	Federal CFDA No.
United States Department of Health and Human Services: Block Grants for Prevention and Treatment of Substance Abuse	93.959
United States Department of Housing and Urban Development: Supportive Housing Program	14.235
State Projects:	State CSFA No.
State of Florida Department of Corrections: Substance Abuse Services	70.016

8. The threshold for distinguishing Types A and B programs/projects was \$ 300,000 for both major Federal programs and state projects.
9. Better Way of Miami, Inc. was determined to be a low-risk auditee pursuant to OMB Circular A-133.

BETTER WAY OF MIAMI, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2010
(continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS AUDITS

No matters were reported.

D. OTHER ISSUES

1. No management letter is required because there were no findings required to be reported in the management letter.
2. A schedule of prior audit findings is not required because there were no prior audit findings related to Federal programs and state projects.
3. No corrective action plan is required because there were no findings reported under OMB Circular A-133 or the Florida Single Audit Act.