

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA
(A Nonprofit Corporation)

FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

Years Ended June 30, 2010 and 2009

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Clay & Baker Kids Net, Inc.
d/b/a Kids First of Florida
Orange Park, Florida

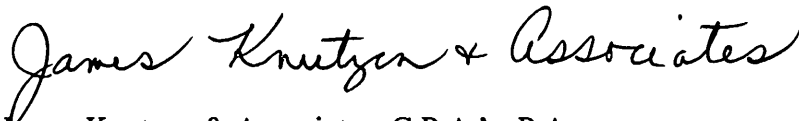
We have audited the accompanying statements of financial position of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, (a nonprofit corporation) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years 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 September 24, 2010, on our consideration of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida'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 the 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 important for assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, by Section 215.97, Florida Statutes and Chapter 10.650; *Rules of the Auditor General*. Such information has been subjected to the auditing procedures applied in the audits 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.

A handwritten signature in cursive script that reads "James Knutzen & Associates". The signature is written in black ink and is positioned above the typed name of the firm.

James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
September 24, 2010

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA
(A Nonprofit Corporation)
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Cash	\$ 1,385,238	\$ 1,255,951
Accounts receivable (Note B)	-	30,116
Prepays	<u>362,195</u>	<u>75,531</u>
Total Current Assets	1,747,433	1,361,598
Property, plant and equipment, less accumulated depreciation of \$206,659 and \$171,141 for 2010 and 2009 (Note D)	71,128	97,061
Organizational Costs, less accumulated amortization of \$500 and \$500 for 2010 and 2009	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,818,561</u>	<u>\$ 1,458,659</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 188,144	\$ 156,903
Accrued expenses	72,833	75,153
Deferred revenue	344,727	63,552
Line of credit (Note C)	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>605,704</u>	<u>295,608</u>
Net Assets - Unrestricted	557,244	400,671
- Property	71,128	97,061
- Temporarily restricted (Note N)	<u>584,485</u>	<u>665,319</u>
Total Net Assets	<u>1,212,857</u>	<u>1,163,051</u>
Total Liabilities and Net Assets	<u>\$ 1,818,561</u>	<u>\$ 1,458,659</u>

See Notes to Financial Statements.

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA
(A Nonprofit Corporation)
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2010 and 2009

	2010			2009		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE						
Contributions	\$ 3,453	\$ -	\$ 3,453	\$ 18,735	\$ -	\$ 18,735
In-kind contributions (Note F)	12,035	-	12,035	17,041	-	17,041
Special events (Note E)	10,307	-	10,307	13,488	-	13,488
Other income	-	-	-	-	-	-
Interest income	2,041	253	2,294	5,240	655	5,895
Gain (loss) on asset disposals	-	-	-	8,960	-	8,960
Clay County	65,000	-	65,000	30,000	-	30,000
State of Florida:						
Department of Children and Families:						
Community Based Foster Care	<u>5,342,725</u>	<u>507,391</u>	<u>5,850,116</u>	<u>5,627,124</u>	<u>582,749</u>	<u>6,209,873</u>
Total Support and Revenue	<u>5,435,561</u>	<u>507,644</u>	<u>5,943,205</u>	<u>5,720,588</u>	<u>583,404</u>	<u>6,303,992</u>
Net Assets Released from Restrictions	<u>588,478</u>	<u>(588,478)</u>	<u>-</u>	<u>452,719</u>	<u>(452,719)</u>	<u>-</u>
Total Support, Revenue and Net Assets Released from Restrictions	<u>6,024,039</u>	<u>(80,834)</u>	<u>5,943,205</u>	<u>6,173,307</u>	<u>130,685</u>	<u>6,303,992</u>
Program Service Expenses	5,454,589	-	5,454,589	5,564,621	-	5,564,621
Supporting Service Expenses	<u>438,810</u>	<u>-</u>	<u>438,810</u>	<u>509,290</u>	<u>-</u>	<u>509,290</u>
Total Expenses	<u>5,893,399</u>	<u>-</u>	<u>5,893,399</u>	<u>6,073,911</u>	<u>-</u>	<u>6,073,911</u>
Change in Net Assets	130,640	(80,834)	49,806	99,396	130,685	230,081
Net Assets, Beginning of Period	<u>497,732</u>	<u>665,319</u>	<u>1,163,051</u>	<u>398,336</u>	<u>534,634</u>	<u>932,970</u>
Net Assets, End of Period	<u>\$ 628,372</u>	<u>\$ 584,485</u>	<u>\$ 1,212,857</u>	<u>\$ 497,732</u>	<u>\$ 665,319</u>	<u>\$1,163,051</u>

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2010

	<u>Family Services</u>	<u>Contract Licensure</u>	<u>Independent Living</u>	<u>Training</u>	<u>Foster Care & Adoptions</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>TOTAL</u>
Salaries	\$ 1,461,727	\$ 111,003	\$ 42,586	\$ 24,351	\$ -	\$ 1,639,667	\$ -	\$ 126,861	\$ 1,766,528
Fringe benefits	122,594	15,778	4,604	4,363	-	147,339	-	13,424	160,763
Payroll taxes	125,695	9,502	3,587	2,022	-	140,806	-	10,218	151,024
	<u>1,710,016</u>	<u>136,283</u>	<u>50,777</u>	<u>30,736</u>	<u>-</u>	<u>1,927,812</u>	<u>-</u>	<u>150,503</u>	<u>2,078,315</u>
Foster Care, Shelter & Services	491,092	-	-	-	2,549,183	3,040,275	-	-	3,040,275
Building Occupancy	125,638	7,629	5,287	235	-	138,789	-	7,500	146,289
Professional Services	39,195	-	-	-	-	39,195	-	4,436	43,631
Mileage and Travel	67,095	2,221	1,928	193	-	71,437	-	272	71,709
Communication	44,347	936	813	43	-	46,139	-	994	47,133
Contracted Services	4,970	77	23	23	-	5,093	-	217,372	222,465
Maintenance Agreements	8,624	550	197	36	-	9,407	-	550	9,957
Vehicle	5,954	20	-	-	-	5,974	-	170	6,144
Background screenings	11,871	322	80	-	-	12,273	-	16	12,289
Office Supplies	18,040	895	177	158	-	19,270	-	971	20,241
Insurance	56,627	795	1,372	265	-	59,059	-	5,845	64,904
Operating Supplies and Expenses	78,428	935	503	-	-	79,866	6,877	7,786	94,529
	<u>951,881</u>	<u>14,380</u>	<u>10,380</u>	<u>953</u>	<u>2,549,183</u>	<u>3,526,777</u>	<u>6,877</u>	<u>245,912</u>	<u>3,779,566</u>
Total Personnel and Expenses	2,661,897	150,663	61,157	31,689	2,549,183	5,454,589	6,877	396,415	5,857,881
Administration	363,192	20,556	8,344	4,323	-	396,415	-	(396,415)	-
Fundraising	3,356	190	77	40	3,214	6,877	(6,877)	-	-
Depreciation	32,541	1,842	748	387	-	35,518	-	-	35,518
Grand Total	<u>\$ 3,060,986</u>	<u>\$ 173,251</u>	<u>\$ 70,326</u>	<u>\$ 36,439</u>	<u>\$ 2,552,397</u>	<u>\$ 5,893,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,893,399</u>

See Notes to Financial Statements

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2009

	Family Services	Contract Licensure	Independent Living	Training	Foster Care & Adoptions	TOTAL PROGRAM SERVICES	Fundraising	Administrative	TOTAL
Salaries	\$ 1,335,882	\$ 121,428	\$ 52,679	\$ 30,615	\$ 39,021	\$ 1,579,625	\$ -	\$ 177,396	\$ 1,757,021
Fringe benefits	116,770	20,451	4,788	4,099	853	146,961	-	18,408	165,369
Payroll taxes	107,367	10,234	4,450	3,258	3,267	128,576	-	14,064	142,640
	<u>1,560,019</u>	<u>152,113</u>	<u>61,917</u>	<u>37,972</u>	<u>43,141</u>	<u>1,855,162</u>	<u>-</u>	<u>209,868</u>	<u>2,065,030</u>
Foster Care, Shelter & Services	434,714	-	135	-	2,829,655	3,264,504	-	-	3,264,504
Building Occupancy	139,406	8,317	2,772	2,998	416	153,909	-	8,542	162,451
Professional Services	7,539	-	90	-	-	7,629	-	1,000	8,629
Travel	79,679	3,581	3,163	139	72	86,634	-	3,089	89,723
Communication	39,958	1,155	385	412	335	42,245	-	1,315	43,560
Contracted Services	20,328	956	319	322	83	22,008	-	234,597	256,605
Maintenance Agreements	8,902	573	210	210	25	9,920	-	506	10,426
Vehicle	5,226	-	-	-	1,143	6,369	-	-	6,369
Background Screenings	13,738	160	8	-	-	13,906	-	100	14,006
Office Supplies	18,851	81	29	-	24	18,985	-	493	19,478
Insurance	30,725	2,940	980	1,960	3,674	40,279	-	3,920	44,199
Operating Supplies and Expenses	40,918	453	151	154	1,395	43,071	3,496	675	47,242
	<u>839,984</u>	<u>18,216</u>	<u>8,242</u>	<u>6,195</u>	<u>2,836,822</u>	<u>3,709,459</u>	<u>3,496</u>	<u>254,237</u>	<u>3,967,192</u>
Total Personnel and Expenses	2,400,003	170,329	70,159	44,167	2,879,963	5,564,621	3,496	464,105	6,032,222
Administration	408,734	29,117	11,994	7,550	6,710	464,105		(464,105)	-
Fundraising	1,508	107	44	28	1,809	3,496	(3,496)		-
Depreciation	36,450	2,597	1,070	673	899	41,689	-	-	41,689
	<u>451,692</u>	<u>32,821</u>	<u>13,108</u>	<u>8,251</u>	<u>9,418</u>	<u>519,907</u>	<u>-</u>	<u>-</u>	<u>519,907</u>
Grand Total	<u>\$ 2,846,695</u>	<u>\$ 202,150</u>	<u>\$ 83,267</u>	<u>\$ 52,418</u>	<u>\$ 2,889,381</u>	<u>\$ 6,073,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,073,911</u>

See Notes to Financial Statements.

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA
(A Nonprofit Corporation)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 49,806	\$ 230,081
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	35,518	41,689
Decrease in accounts receivable	30,116	28,460
Increase in prepaids	(286,664)	(75,531)
Increase in accounts payable	31,241	11,232
Decrease in accrued expenses	(2,320)	(16,317)
Decrease in refundable advances	<u>281,175</u>	<u>(31,356)</u>
Net Cash Provided By Operating Activities	<u>138,872</u>	<u>188,258</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of construction and other assets	-	11,375
Purchase of furniture, equipment	<u>(9,585)</u>	<u>(31,296)</u>
Net Cash Used By Investing Activities	<u>(9,585)</u>	<u>(19,921)</u>
Net Increase in Cash	129,287	168,337
Cash at Beginning of Period	<u>1,255,951</u>	<u>1,087,614</u>
Cash at End of Period	<u>\$ 1,385,238</u>	<u>\$1,255,951</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period:		
Interest	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

A. Summary of Significant Accounting Policies:

- (1) Nature of Business – Clay & Baker Kids Net, Inc., formerly known as Clay Kids Net, Inc., was incorporated January 15, 2003 to provide foster care placement, case management adoption, physical and emotional support, and be a liaison with the health department for children in Clay County, Florida. The largest funding source for the Company is the Florida Department of Children and Families. Clay & Baker Kids Net, Inc. is registered in Florida under the fictitious name of Kids First of Florida.
- (2) Basis of Presentation – The financial statements are prepared in accordance with the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, “*Financial Statements of Not-For-Profit Organizations.*”
- (3) Basis of Accounting – The financial statements are prepared using the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.
- (4) Public Support and Revenue – Revenue is reported at the estimated net realizable amounts due from third-party payers and others for services rendered. Client fees are recognized upon receipt.
- (5) Property, Plant and Equipment – Property, plant and equipment are recorded at cost for purchased items. Donated items are recorded at fair market value at the date of gift.
- (6) Income Taxes – The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue code and is not a private foundation. Accordingly, no provision for income tax is required.
- (7) Depreciation – Building and equipment are being depreciated over the estimated useful lives of the individual assets by the straight-line method.
- (8) Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, primarily related to the collectibility of receivables and the depreciable lives of buildings and improvements that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009
-continued-

(9) Restricted and Unrestricted Revenue and Support

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 Statement of Activities as net assets released from restrictions.

(10) Cash and Cash Equivalents

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

(11) Advertising

Advertising costs are expensed as incurred.

B. Accounts Receivable:

Revenue due under third-party payor agreements is subject to audit and retroactive adjustment.

C. Line of Credit:

The Company secured a bank line of credit for working capital needs. The line of credit is for \$500,000, priced at LIBOR + 2.25%, to be reviewed annually and is unsecured. There was no principal balance on the line at June 30, 2010 and 2009.

CLAY & BAKER KIDS NET, INC.
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(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

-continued-

D. Property, Plant and Equipment:

	<u>Life</u>	<u>2010</u>	<u>2009</u>
Furniture and fixtures	5 yrs.	\$ 32,438	\$ 32,438
Equipment	5 yrs.	191,700	182,115
Vehicles	5 yrs.	<u>53,649</u>	<u>53,649</u>
		277,787	268,202
Accumulated depreciation		<u>(206,659)</u>	<u>(171,141)</u>
		<u>\$ 71,128</u>	<u>\$ 97,061</u>

The Florida Department of Children and Families (DCF) has a reversionary interest in any equipment purchased with funds provided by DCF contracts.

E. Special Events:

The Company had a golf tournament as a fundraiser during the years ending June 30, 2010 and 2009. Receipts totaled \$15,212 and \$13,488 and disbursements were \$6,790 and \$3,496, respectively. Other fundraisers contributed \$1,885 and \$3,496 to the Special Events total during the years ending June 30, 2010 and 2009, respectively.

F. In-Kind Contribution:

The Company receives tangible property contributed for the children which is recorded at a discounted fair market value. The amounts are included in the financial statements as public support and specific assistance expense.

No amounts have been reflected in the statements for donated services because they do not meet the criteria for recognition under the Statement of Financial Accounting Standards (SFAS) No. 116.

G. Related Party:

Clay and Baker Kids Net, Inc., doing business as Kids First of Florida, and Clay Behavioral Health Center, Inc. are controlled by The Institute for Growth & Development, Inc. through board of directors' appointments and management agreements. Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, had accounts payable of \$21,529 and \$13,594 due to Clay Behavioral Health Center, Inc. at June 30, 2010 and 2009, respectively.

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

-continued-

G. Related Party (continued):

Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, had accounts payable of \$14,083 and \$7,758 due to the Institute for Growth & Development, Inc. at June 30, 2010 and 2009, respectively. Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, paid The Institute for Growth & Development, Inc. \$250,290 and \$275,804 for management services during the years ending June 30, 2010 and 2009, respectively.

H. Support from the State of Florida which Required Match:

The Company had fixed price and/or unit of service contracts that required cost sharing or match. Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, met the matching requirements of these contracts for the years ending June 30, 2010 and 2009.

I. Retirement Plan:

The Company had a discretionary contribution plan which was discontinued at the end of fiscal year 2009. Pension contributions totaled \$-0- and \$7,135 for the year ending June 30, 2010 and 2009, respectively.

J. Operating Leases:

The Company leases office space on Kingsley Avenue in Orange Park. The office lease runs through June 30, 2011 and has options for renewal without an increase for an additional two years each. The minimum lease payments for the years ending June 30 as follows:

2011	\$ 150,327
Thereafter	<u>-0-</u>
	<u>\$ 150,327</u>

Rent expense, including record storage, for the years ending June 30, 2010 and 2009 was \$253,591 and \$162,450, respectively.

K. Concentration of Credit Risk:

The Company maintains a bank account with FDIC insured banks and exceeded depository insurance limits. The uninsured exposure at June 30, 2010 and 2009 was \$1,134,888 and \$1,005,601, respectively.

CLAY & BAKER KIDS NET, INC.
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NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009
-continued-

L. Fair Value of Financial Instruments:

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash: The carrying amount reported in the Statements of Financial Position for cash approximates its fair value.

Accounts payable and accrued expenses: The carrying amount reported in the Statements of Financial Position for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payer settlements: The carrying amount reported in the Statements of Financial Position for estimated third-party payer settlements approximates its fair value.

Long-term debt: The Company debt is not publicly traded and its level of borrowing is not sufficient to estimate a fair value based on cash flow analysis.

M. Contingencies:

Revenue from the State of Florida Department of Children and Families was 99% and 99% of total public support and revenue in the years ending June 30, 2010 and 2009. Laws and regulations governing the children's programs are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and exclusion from the programs.

N. Temporarily Restricted Net Assets

The Florida Department of Children and Families identified unexpended funds within the Company's Community Based Care contract that are available for future child welfare related expenses. The amounts of these roll-forward funds were \$489,923 and \$507,390 for the years ending June 30, 2010 and 2009.

CLAY & BAKER KIDS NET, INC.
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NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

-continued-

N. Temporarily Restricted Net Assets (continued):

Additionally, the Company received a restricted gift from Children's Crisis Center, Inc. of \$83,345 for child welfare expenses in the year ending June 30, 2009 with annual disbursements restricted to no more than 5% of the balance.

	<u>2010</u>	<u>2009</u>
Roll Over Funds	\$ 507,392	\$ 507,390
Children's Crisis Center	77,093	82,776
Accrued Compensation	<u>-0-</u>	<u>75,153</u>
	<u>\$ 584,485</u>	<u>\$ 665,319</u>

O. Subsequent Events:

In preparing this financial statement, the Company evaluated events and transactions for potential recognition or disclosure through October 15, 2010, the date the financial statement was available to be issued.

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA
(A Nonprofit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through State of Florida				
Department of Children and Families:				
Temporary Assistance for Needy Families	93.558	DJ035	\$ 536,544	\$ (1,884)
Chafee Education and Training Vouchers Program	93.599	DJ035	21,734	-
Social Services Block Grant	93.667	DJ035	480,990	-
Foster Care - Title IV-E - American Recovery & Reinvestment Act	93.658	DJ035	51,221	-
Foster Care - Title IV-E	93.658	DJ035	1,268,401	(1,027)
Adoption Assistance	93.659	DJ035	512,227	-
Adoption Assistance - American Recovery & Reinvestment Act	93.659	DJ035	49,117	-
Adoption Incentive Payments	93.603	DJ035	20,966	-
Medical Assistance Program	93.778	DJ035	10,530	-
Child Welfare Services - State Grants	93.645	DJ035	81,431	-
Child Abuse and Neglect State Grants	93.669	DJ035	945	(217)
Promoting Safe and Stable Families	93.556	DJ035	133,374	(84,168)
Family Preservation and Support Services	93.556	DJ035	3,574	-
Chafee Foster Care Independent Living	93.674	DJ035	56,157	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,227,211</u>	<u>\$ (87,296)</u>
STATE OF FLORIDA				
Direct Projects of Department of Children and Families				
Community Based Care Supports	60.094	DJ035	<u>2,337,920</u>	<u>(81,416)</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 2,337,920</u>	<u>\$ (81,416)</u>

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA
(A Nonprofit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2010

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state activity of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, "Rules of the Auditor General." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.

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Margaret Dodson, C.P.A.

Peter F. Carroll, C.P.A.

MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Board of Directors
Clay & Baker Kids Net, Inc.
d/b/a Kids First of Florida
Orange Park, Florida

We have audited the financial statements of Clay & Baker Kids Net, Inc, doing business as Kids First of Florida, (a nonprofit corporation) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 24, 2010. 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 the Clay & Baker Kids Net, Inc.'s, doing business as Kids First of Florida, 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 the Clay & Baker Kids Net, Inc., doing business as Kids First of Florida's, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness Clay & Baker Kids Net, Inc., doing business as Kids First of Florida'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 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 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 Clay & Baker Kids Net, Inc., doing business as Kids First of Florida'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*.

We noted certain matters that we have reported to management of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, in a separate letter dated September 24, 2010.

This report is intended solely for the information and use of the board of directors, management and 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.



James Knutzen & Associates, C.P.A.'s, P.A.

Jacksonville, Florida

September 24, 2010

JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.

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MEMBER OF
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INSTITUTES OF
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE PROJECTS COMPLIANCE SUPPLEMENT

Board of Directors
Clay & Baker Kids Net, Inc.
d/b/a Kids First of Florida
Orange Park, Florida

Compliance

We have audited the compliance of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, (a nonprofit organization) 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 are applicable to each of its major federal programs and state projects for the year ended June 30, 2010. Clay & Baker Kids Net, Inc., doing business as Kids First of Florida'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 Clay & Baker Kids Net, Inc., doing business as Kids First of Florida's, management. Our responsibility is to express an opinion on Clay & Baker Kids Net, Inc., doing business as Kids First of Florida'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 Clay & Baker Kids Net, Inc., doing business as Kids First of Florida'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 Clay & Baker Kids Net, Inc., doing business as Kids First of Florida's, compliance with those requirements.

In our opinion, Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, complied, in all material respects, with the requirements referred to above that are applicable each of its major federal programs and state projects for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, 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 Clay & Baker Kids Net, Inc., doing business as Kids First of Florida's, internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our 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 Clay & Baker Kids Net, Inc., doing business as Kids First of Florida's, internal control over compliance.

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

Our consideration of the 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 the board of directors, management, federal agencies, state agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



James Knutzen & Associates, C.P.A.'s, P.A.

Jacksonville, Florida

September 24, 2010

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA
(A Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS

Year Ended June 30, 2010

Section I--Summary of Auditors' Results

Financial Statements:

Unqualified auditors' report issued

Internal control over financial reporting:

Material weakness(es) identified?	_____	YES	<u> X </u>	NO
Significant deficiency(ies) identified?	_____	YES	<u> X </u>	NO
Noncompliance material to financial statements noted?	_____	YES	<u> X </u>	NO

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	_____	YES	<u> X </u>	NO
Significant deficiency(ies) identified?	_____	YES	<u> X </u>	NO

Unqualified auditors' report issued on compliance for major programs:

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____	YES	<u> X </u>	NO
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Identification of major programs:

	<u>CFDA #'s</u>	<u>Name of Federal Program and State Project or Cluster</u>
Temporary Assistance for Needy Families	93.558	N/A
Foster Care - Title IV-E	93.658	N/A
Foster Care - Title IV-E - American Recovery & Reinvestment Act	93.658	N/A
Adoption Assistance	93.659	N/A
Adoption Assistance - American Recovery & Reinvestment Act	93.659	N/A
	<u>CSFA #'s</u>	
Community Based Care Supports	60.094	N/A

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

\$300,000

Auditee qualified as low risk auditee?	<u> X </u>	YES	_____	NO
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Section II--Financial Statement Findings

None

CLAY & BAKER KIDS NET, INC.
d/b/a KIDS FIRST OF FLORIDA
(A Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS

Year Ended June 30, 2010

Section III--Federal Award Findings and Questioned Costs

Major Federal Award Programs/Major State Projects Audit:

None

Section IV--Summary Schedule of Prior Audit Findings

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal Programs or State Projects.

Section V--Corrective Action Plan

No Corrective Action Plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Act.

Section VI--Management Letter

No management letter as defined in State of Florida, Rules of the Auditor General 10.656(3)(e) is required because there were no findings related to State Financial Assistance required to be reported.