

*Financial Statements*

**Community Based Care  
of Seminole, Inc.**

**June 30, 2010**

COMMUNITY BASED CARE OF SEMINOLE, INC.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Community Based Care of Seminole, Inc.  
Sanford, Florida

We have audited the accompanying statement of financial position of Community Based Care of Seminole, Inc., ("CBC of Seminole") as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of CBC of Seminole's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statements referred to above present fairly, in all material respects, the financial position of Community Based Care of Seminole, Inc., as of June 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 a report dated November 11, 2010 on our consideration of CBC of Seminole's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements 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 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. Such 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.

*Carr Riggs & Ingram LLC*

November 11, 2010

COMMUNITY BASED CARE OF SEMINOLE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,200,037
Contracts receivable	83,227
Prepaid expense and other assets	41,327
	<u>1,324,591</u>
Property and equipment, net	107,906
Other assets:	
Restricted cash	<u>577,385</u>
	<u>\$ 2,009,882</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Current portion of capital leases	\$ 11,255
Accounts payable and other liabilities	931,753
Restricted cash held for others	531,319
Custodial assets held for others	87,009
	<u>1,561,336</u>
Long-term liabilities:	
Capital leases, net of current portion	<u>9,644</u>
Net assets:	
Unrestricted	428,902
Temporarily restricted	10,000
	<u>438,902</u>
	<u>\$ 2,009,882</u>

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

COMMUNITY BASED CARE OF SEMINOLE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Total
<b>Public support and revenues:</b>			
State contracts	\$ 12,520,306	\$ -	\$ 12,520,306
Private contracts	2,503,589	-	2,503,589
Local contracts	60,532	-	60,532
Contributions and other	104,273	-	104,273
<b>Total public support and revenues</b>	<b>15,188,700</b>	<b>-</b>	<b>15,188,700</b>
<b>Functional expenses:</b>			
<b>Program services:</b>			
<b>Purchased services:</b>			
Case management	3,563,772	-	3,563,772
Foster care	633,573	-	633,573
Prevention and early intervention	348,361	-	348,361
Family preservation	778,972	-	778,972
Family visitation	249,998	-	249,998
Independent living	224,805	-	224,805
Medicaid management	2,344,822	-	2,344,822
	<b>8,144,303</b>	<b>-</b>	<b>8,144,303</b>
<b>Direct services:</b>			
Residential	2,067,652	-	2,067,652
Adoptions	1,174,457	-	1,174,457
Independent living	491,282	-	491,282
Client assistance	557,492	-	557,492
	<b>4,290,883</b>	<b>-</b>	<b>4,290,883</b>
<b>Support services:</b>			
Support unit	1,852,328	-	1,852,328
<b>Total program services</b>	<b>14,287,514</b>	<b>-</b>	<b>14,287,514</b>
<b>General and administrative:</b>			
General and other	87,521	-	87,521
Administrative	752,464	-	752,464
	<b>839,985</b>	<b>-</b>	<b>839,985</b>
<b>Total expenses</b>	<b>15,127,499</b>	<b>-</b>	<b>15,127,499</b>
<b>Change in net assets</b>	<b>61,201</b>	<b>-</b>	<b>61,201</b>
<b>Net assets at beginning of year</b>	<b>367,701</b>	<b>10,000</b>	<b>377,701</b>
<b>Net assets at end of year</b>	<b>\$ 428,902</b>	<b>\$ 10,000</b>	<b>\$ 438,902</b>

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

COMMUNITY BASED CARE OF SEMINOLE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Changes in net assets	\$ 61,201
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	85,964
(Increase) decrease in assets:	
Contracts receivable	9,726
Prepaid expense and other assets	16,169
Restricted cash	(215,708)
Increase (decrease) in liabilities:	
Accounts payable and other liabilities	(96,941)
Restricted cash held for others	215,726
Custodial assets held for others	(57,987)
Net cash provided by operating activities	<u>18,150</u>
Cash flows from financing activities:	
Capital lease payments and net cash used by financing activities	<u>(27,244)</u>
Decrease in cash and cash equivalents	(9,094)
Cash and cash equivalents, July 1, 2009	<u>1,209,131</u>
Cash and cash equivalents, June 30, 2010	<u>\$ 1,200,037</u>

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

COMMUNITY BASED CARE OF SEMINOLE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

1. Nature of operations and summary of significant accounting policies:

Nature of operations and basis of presentation:

Community Based Care of Seminole, Inc., ("CBC of Seminole") is a Florida not-for-profit corporate entity dedicated to developing community-based services and support for children and families served by the child welfare system in Seminole County, Florida.

CBC of Seminole is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code and the laws of the state of Florida. Operations are directed by a voluntary board who receive no compensation for their services.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Codification 958 - "Not-for-Profit Entities" ("Codification"). Under the codification, CBC of Seminole is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets – net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met by actions of CBC of Seminole and/or the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by CBC of Seminole.

As of June 30, 2010, there were no permanently restricted net assets. The temporarily restricted net assets held at June 30, 2010 consist of \$10,000 of proceeds held from the sale of a custodial asset that are restricted for program purposes.

Income taxes:

CBC of Seminole adopted the provisions of FASB ASC 740, *Income Taxes*, as of July 1, 2009. CBC of Seminole has not recognized any respective liability for unrecognized tax benefits as a result of implementing ASC 740 as it has no known tax positions that would subject CBC of Seminole to any material income tax exposure. The tax years that remain subject to examination are the periods beginning July 1, 2006 for all major tax jurisdictions.

Contributions:

Donated services that create or enhance non-financial assets, or that require specialized skills and which are provided by individuals possessing those skills and would typically be purchased if not donated, are recorded as support with a like amount included as an expense. Such support and expense is recorded at fair market value at the date of receipt.

Recognition of donor restrictions:

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 restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

COMMUNITY BASED CARE OF SEMINOLE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED JUNE 30, 2010

1. Nature of operations and summary of significant accounting policies - continued:

**Cash and cash equivalents:**

CBC of Seminole considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

**Restricted cash:**

Restricted cash consists of cash held in a separate bank account on behalf of CBC of Seminole and the other general partners of The Community Based Care Partnership, Ltd. (the "Partnership"). These funds are being held separately in the event that the Partnership is in need of a capital contribution from its general partners. The portion that relates to the funds held for the other general partners is also recorded in the accompanying Statement of Financial Position as the liability, "Restricted cash held for others".

**Contracts receivable:**

Contracts receivable are stated at the amount management expects to realize from outstanding balances. CBC of Seminole's receivables as of June 30, 2010 are due in less than one year and are considered collectible.

**Property and equipment:**

Property and equipment acquisitions are stated at cost when purchased, while donations are recorded at the estimated fair value when donated. Property and equipment acquired by CBC of Seminole are considered owned by CBC of Seminole. However, State funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those custodial assets purchased with its funds. Depreciation is computed using the straight-line method over the useful lives of the assets, generally three to seven years.

**Use of estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

**Revenue and expense recognition:**

CBC of Seminole recognizes public support, revenues and expenses on the accrual basis. Support and revenues from grants and contracts are generally recognized as eligible costs are incurred and/or required services are performed. Functional expenses are allocated between programs on the basis of specific identification and management estimates. The programs are as follows:



COMMUNITY BASED CARE OF SEMINOLE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED JUNE 30, 2010

1. Nature of operations and summary of significant accounting policies - continued:

Revenue and expense recognition - continued:

Purchased services – CBC of Seminole currently contracts with local service providers and local governments to provide the following services:

Case management provides dependency case management, case plan development and supervision, case reporting, and health care case management.

Foster care provides recruitment, training, licensing, re-licensing and support for foster care parents.

Crisis support provides services to improve child safety through preventive and family preservation services.

Prevention and early intervention provide crisis intervention, instruction in behavior management, conflict resolution and counseling to maintain the child's placement and prevent disruption or removal.

Family preservation provides in-home education and classes for high-risk families, relative caregivers and families referred by other agencies or courts.

Family visitation program provides on-site monitoring of visitation and exchange of children who cannot otherwise visit or exchange with parents safely.

Independent living provides pre-independent living assessments, independent life skills assessments, employment training, counseling and after care support services.

Medicaid management provides mental health treatment to meet the unique needs of children involved with the child welfare system.

Direct services – CBC of Seminole directly provides the following services:

Residential provides placement of children in relative care, family foster care, therapeutic foster care, medical foster care, residential group care, or emergency shelter.

Adoptions provide cost of adoption assistance, subsidy payments, and other nonrecurring adoption expenses for adopting families.

Independent living provides payments to clients who participate in the program.

Client assistance provides an annual clothing allowance, medical costs and other nonrecurring costs for foster children.

COMMUNITY BASED CARE OF SEMINOLE, INC.  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED JUNE 30, 2010

1. Nature of operations and summary of significant accounting policies - continued:

Direct services – CBC of Seminole directly provides the following services - continued:

Client assistance also includes assistance provided through the Pathways to Home Program, which provides assistance to homeless or those close to becoming homeless families with children for financial stability.

Economic dependency:

CBC of Seminole received substantially all of its revenue from federal and state awards during the year ended June 30, 2010.

Concentrations of risk:

CBC of Seminole deposits cash with a high quality financial institution. At times, such cash may be in excess of federally insured limits. Unsecured receivables are limited as the receivables are primarily contracts receivable from governmental entities.

CBC of Seminole is subject to state and federal audit examination to determine compliance with grant requirements. In the event that expenditures would be disallowed, repayment could be required. Management is of the opinion that expenditures, if any, that would be disallowed, would not have a material adverse impact on CBC of Seminole.

Investment in partnership:

CBC of Seminole is a general partner in a limited partnership, The Community Based Care Partnership, Ltd. The partnership currently holds a contract with the Florida Agency for Health Care Administration to operate the Child Welfare Prepaid Mental Health Plan (see Note 6). CBC of Seminole has a 3.85% interest in the partnership and accounts for the investment using the equity method.

2. Property and equipment:

Property and equipment consisted of the following at June 30, 2010:

	<u>CBC of Seminole</u>	<u>Custodial assets</u>
Computer and equipment	\$ 83,423	\$ 413,528
Furniture and fixtures	<u>3,657</u>	<u>6,843</u>
	87,080	420,371
Less accumulated depreciation	<u>(87,080)</u>	<u>(312,465)</u>
	<u>\$ -</u>	<u>\$ 107,906</u>

COMMUNITY BASED CARE OF SEMINOLE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED JUNE 30, 2010

3. Capital leases:

Obligations under capital leases consist of the following at June 30, 2010:

Copier lease, cost of \$26,400 and related accumulated depreciation of \$17,160 are included within the property and equipment caption on the balance sheet. Monthly principal and interest payments of \$659 at an implicit rate of 17.20% are due through March 2012.

Copier lease, cost of \$19,431 and related accumulated depreciation of \$7,772 are included within the property and equipment caption on the balance sheet. Monthly principal and interest payments of \$409 at an implicit rate of 0.50% are due through September 2012.

Future minimum lease payments under capital lease with the present value of the net minimum lease payments as of June 30, 2010:

2011	\$ 12,813
2012	12,813
2013	<u>7,157</u>
Total minimum lease payments	32,783
Less: Amount representing interest	<u>(11,884)</u>
Present value of net minimum lease payments	20,899
Less: Current maturities	<u>(11,255)</u>
	<u>\$ 9,644</u>

4. Commitments and contingencies:

CBC of Seminole leases facilities under various operating leases that expire through June 2015. The aggregate rental expense paid under these leases totaled approximately \$559,000 for the year ended June 30, 2010. One of the facility leases includes a right to terminate clause after 36 months with a ninety day written notice and early termination fee.

Future minimum lease payments under the non-cancelable operating leases in excess of one year are as follows:

Year ending <u>June 30,</u>	<u>Amount</u>
2011	\$ 554,407
2012	498,676
2013	513,636
2014	529,045
2015	<u>544,917</u>
	<u>\$ 2,640,682</u>

COMMUNITY BASED CARE OF SEMINOLE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED JUNE 30, 2010

4. Commitments and contingencies – continued:

In addition, CBC of Seminole, as an authorized agent of the State in accordance with section 409.1671, F.S. has contracted with Children's Home Society of Florida, Inc. and Human Services Associates, Inc. to deliver quality child welfare services. The contracts have one-year terms, but can be renewed for additional one-year terms through June 30, 2014. The contracts for the year ended June 30, 2010 were each for \$1,582,239 and \$1,559,006, respectively.

5. Retirement plan:

CBC of Seminole employees are eligible to participate in a 401(k) profit sharing plan following the date on which the employee becomes eligible and has attained the age of twenty-one. CBC of Seminole matches up to 4% of each eligible employee's pre-tax contribution. The total expense for the year ended June 30, 2010 was \$46,440.

6. Related party transactions:

CBC of Seminole has a service agreement with the Partnership. The service agreement requires CBC of Seminole to act as a liaison with the Florida Agency for Health Care Administration in regards to the Child Welfare Prepaid Mental Health Plan (the "Mental Health Plan"), to maintain relations with the Partnership's limited partners, to maintain external relations with key stakeholders, and to perform certain program services for the Mental Health Plan. For the year ended June 30, 2010, CBC of Seminole received \$2,374,380 for these services. CBC of Seminole then pays the limited partners of the Partnership for their services to the Mental Health Plan. For the year ended June 30, 2010, the amount incurred for these services was \$2,344,822. CBC of Seminole also receives monthly payments of \$2,500 for performing certain administrative tasks in regards to this agreement. All of the revenues are shown in the accompanying Statement of Activities as Private Contracts Revenue and the expenses are shown as Medicaid Management Expenses. At June 30, 2010, there was \$44,712 owed to the limited partners for services provided.

CBC of Seminole is holding funds of \$531,319 on behalf of its general partners as of June 30, 2010. (See Note 1.)

7. Supplemental disclosures of cash flow information:

No cash was paid for income taxes during the year ended June 30, 2010. Cash paid for interest during the year ended June 30, 2010 was \$3,670.

COMMUNITY BASED CARE OF SEMINOLE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED JUNE 30, 2010

8. Subsequent events:

In September 2010, CBC of Seminole was awarded a six year \$9 million grant to provide mental health services. In October 2010, CBC of Seminole was awarded the Circuit 9 Lead Agency Contract to service Orange and Osceola Counties. This award is currently being disputed by the incumbent agency.

Subsequent events were evaluated through the date the financial statements were available to be issued. The financial statements were approved and authorized for issue by management on November 11, 2010.

**SUPPLEMENTAL INFORMATION**

**COMMUNITY BASED CARE OF SEMINOLE, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**YEAR ENDED JUNE 30, 2010**

Federal/State Agency/Pass-Through Entity Federal Program/State Project	CFDA CSFA Number	Contract/ Grant Number	Contract Period	Expenditures	Amount Provided to Sub-Recipients
<b><u>Federal Awards</u></b>					
Department of Health and Human Services					
Indirect programs:					
Passed through the State of Florida					
Department of Children and Families:					
Promoting Safe and Stable Families	93.556	GJ245	7/01/09-6/30/10	\$ 381,351	\$ 253,643
Temporary Assistance for Needy Families	93.558	GJ245	7/01/09-6/30/10	1,035,937	389,021
Grants to States for Access and Visitation Programs	93.597	GJ245	7/01/09-6/30/10	6,336	4,214
Adoption Incentive Child Welfare Services - State Grants	93.603	GJ245	7/01/09-6/30/10	88,511	58,870
Foster Care – Title IV-E	93.645	GJ245	7/01/09-6/30/10	232,923	154,922
ARRA - Foster Care – Title IV-E	93.658	GJ245	7/01/09-6/30/10	2,180,168	1,450,071
Adoption Assistance – Title IV-E	93.658	GJ245	7/01/09-6/30/10	109,736	72,987
ARRA - Adoption Assistance – Title IV-E	93.659	GJ245	7/01/09-6/30/10	1,531,154	1,018,400
Social Services Block Grant Child Abuse and Neglect State Grants	93.659	GJ245	7/01/09-6/30/10	91,193	60,654
Independent Living	93.667	GJ245	7/01/09-6/30/10	584,931	389,049
Medical Assistance Program Block Grants for Community Mental Health Services	93.669	GJ245	7/01/09-6/30/10	99,596	66,243
	93.674	GJ245	7/01/09-6/30/10	106,880	71,088
	93.778	GJ245	7/01/09-6/30/10	33,688	22,407
	93.958	GJ245	7/01/09-6/30/10	146,958	97,745
Total Department of Health and Human Services				\$ 6,629,362	\$ 4,109,314
Department of Housing and Urban Development					
Indirect programs:					
Passed through Seminole County					
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257		9/09-4/12	\$ 60,532	\$ 60,532
Total Federal Awards				\$ 6,689,894	\$ 4,169,846
<b><u>State Financial Assistance</u></b>					
Indirect programs:					
Department of Children and Families:					
Community Based Care Supports	60.094	GJ245	7/01/09-6/30/10	\$ 5,890,945	\$ 3,918,179
Total Department of Children and Families				\$ 5,890,945	\$ 3,918,179
Total Federal Awards and State Financial Assistance				\$ 12,580,839	

Note (1) The accompanying schedule of expenditures of federal awards and state financial assistance is prepared on the accrual basis of accounting.

Note (2) Service provided contract revenues were earned in accordance with the contract terms and were reported as expenditures on the schedule of expenditures of federal awards and state financial assistance.

Note (3) Expenses presented in the accompanying schedule of expenditures of federal awards and state financial assistance include federal awards and state financial assistance provided to sub-recipients.

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  
Community Based Care of Seminole, Inc.  
Sanford, Florida

We have audited the financial statements of Community Based Care of Seminole, Inc. ("CBC of Seminole") as of and for the year ended June 30, 2010, and have issued our report thereon dated November 11, 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 CBC of Seminole'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 the CBC of Seminole's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 CBC of Seminole'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*.

This report is intended solely for the information and use of the Board of Directors, management, 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.

Chris Ruggs | STORM LLC

November 11, 2010



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**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 STATE OF FLORIDA CHAPTER 10.650,**  
**RULES OF THE AUDITOR GENERAL**

Board of Directors  
Community Based Care of Seminole, Inc.  
Sanford, Florida

**Compliance**

We have audited Community Based Care of Seminole, Inc.'s ("CBC of Seminole") 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 Florida 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 June 30, 2010. CBC of Seminole's major federal programs and state projects are identified in the summary of auditor's 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 CBC of Seminole's management. Our responsibility is to express an opinion on CBC of Seminole'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; and 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 non-compliance 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 CBC of Seminole'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 of CBC of Seminole's compliance with those requirements.

In our opinion, CBC of Seminole 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 June 30, 2010.

### Internal Control Over Compliance

Management of CBC of Seminole is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered CBC of Seminole's internal control over compliance with the 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 State of Florida 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 CBC of Seminole'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 and state projects 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 and state projects will not be prevented, 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 the Board of Directors, management, 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.

*Chris Ruggs* | SHORAN LLC

November 11, 2010

COMMUNITY BASED CARE OF SEMINOLE, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
 FEDERAL PROGRAMS AND STATE PROJECTS  
 YEAR ENDED JUNE 30, 2010

Section A – Summary of Auditors’ Results

1. The independent auditors’ report expresses an unqualified opinion on the financial statements of Community Based Care of Seminole, Inc.
2. No significant deficiencies relating to the audit of the financial statements were 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 considered material to the financial statements of Community Based Care of Seminole, Inc. was disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs and state projects were reported in the 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 State of Florida Chapter 10.650, *Rules of the Auditor General*.
5. The auditors’ report on compliance for the major federal award programs and state projects for Community Based Care of Seminole, Inc. expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs and state projects for Community Based Care of Seminole, Inc. were reported in Parts C and D of this schedule.
7. Identification of major programs and state projects:

<u>Name of Federal Program</u>	<u>Federal CFDA Number</u>
Promoting Safe and Stable Families	93.556
Temporary Assistance of Needy Families	93.558
Foster Care – Title IV-E	93.658
ARRA – Foster Care – Title IV-E	93.658
Adoption Assistance – Title IV-E	93.659
ARRA – Adoption Assistance – Title IV-E	93.659
Social Services Block Grant	93.667
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257
<u>Name of State Project</u>	<u>CSFA Number</u>
Community Based Care Supports	60.094

COMMUNITY BASED CARE OF SEMINOLE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL PROGRAMS AND STATE PROJECTS - CONTINUED  
YEAR ENDED JUNE 30, 2010

Section A – Summary of Auditors' Results – continued:

8. The threshold for distinguishing Type A and Type B programs was \$300,000 for major federal programs and \$300,000 for major state projects. In addition, grants of any amounts received under the American Recovery and Reinvestment Act were considered Type A programs.
9. Community Based Care of Seminole, Inc. was determined to be a low-risk auditee pursuant to OMB Circular A-133 for the year ended June 30, 2010.

Section B – Financial Statement Findings

No matters were reported.

Section C – Findings and Questioned Costs – Major Federal Programs

No matters were reported.

Section D – Findings and Questioned Costs – Major State Projects

No matters were reported.

Section E – Other Issues

1. No management letter is required because there were no findings required to be reported.
2. No summary schedule of prior audit findings is presented because there were no prior audit findings.
3. No corrective action plan is presented because there were no findings required to be reported under the Federal or Florida Single Audit Acts.