

**INSTITUTE FOR CHILD AND FAMILY
HEALTH, INC.**

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Institute for Child and Family Health, Inc.
Miami, Florida

PEDRO M. DE ARMAS, C.P.A.
MARIO A. SARIOL, C.P.A.
OCTAVIO A. VERDEJA, C.P.A.
MARIA C. PEREZ-ABREU, C.P.A.
ALEJANDRO M. TRUJILLO, C.P.A.
OCTAVIO F. VERDEJA, C.P.A.
TAB VERDEJA, C.P.A.

We have audited the accompanying statement of financial position of the Institute for Child and Family Health, Inc. (the "Institute"), a nonprofit organization, as of June 30, 2010, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Institute'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 amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 the Institute 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 our report dated January 24, 2011, on our consideration of the Institute's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 should be considered in assessing the results of our audit.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
January 24, 2011

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,196,144
Accounts receivable (net of allowance for doubtful accounts of approximately \$65,000)	1,676,358
Grants receivables and other receivables	1,329,040
Prepaid expenses and other current assets	<u>36,632</u>
TOTAL CURRENT ASSETS	<u>6,238,174</u>

INVESTMENTS - restricted	670,030
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PROPERTY AND EQUIPMENT, net of accumulated depreciation	831,698
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OTHER ASSETS - security deposits	<u>24,972</u>
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TOTAL ASSETS	<u><u>\$ 7,764,874</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 293,029
TOTAL CURRENT LIABILITIES/TOTAL LIABILITIES	<u>293,029</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Unrestricted	6,801,815
Temporarily restricted	420,030
Permanently restricted	<u>250,000</u>
TOTAL NET ASSETS	<u>7,471,845</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,764,874</u></u>
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The accompanying notes are an integral part of these financial statements.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND OTHER INCOME				
Support:				
Federal and state grant contracts	\$ 4,095,026	\$ -	\$ -	\$ 4,095,026
County and other grants	6,084,793	-	-	6,084,793
Contributions	55,255	-	-	55,255
Total Support	10,235,074	-	-	10,235,074
Revenue:				
Medicaid	733,635	-	-	733,635
Managed care	5,990,827	-	-	5,990,827
Client fees for services	72,453	-	-	72,453
Total Revenue	6,796,915	-	-	6,796,915
Other income:				
Investment income, net	-	11,205	-	11,205
Net realized and unrealized gains on investments	-	64,135	-	64,135
Other income	9,993	-	-	9,993
Net assets released from restrictions	239,340	(239,340)	-	-
Total Other Income	249,333	(164,000)	-	85,333
TOTAL SUPPORT, REVENUE, AND OTHER INCOME	17,281,322	(164,000)	-	17,117,322
OPERATING EXPENSES				
Program Services:				
Outpatient	6,265,231	-	-	6,265,231
Crisis Support Emergency	8,338	-	-	8,338
In-Home - On-Site	1,939,324	-	-	1,939,324
Prevention/Intervention	96,680	-	-	96,680
Prevention	202,514	-	-	202,514
Case management	813,342	-	-	813,342
Other programs	4,100,401	-	-	4,100,401
Total Program Services	13,425,830	-	-	13,425,830
Supporting Services:				
General and Administrative	2,176,823	-	-	2,176,823
Total Supporting Services	2,176,823	-	-	2,176,823
TOTAL OPERATING EXPENSES	15,602,653	-	-	15,602,653
CHANGE IN NET ASSETS	1,678,669	(164,000)	-	1,514,669
NET ASSETS - beginning of year	5,123,146	584,030	250,000	5,957,176
NET ASSETS - end of year	\$ 6,801,815	\$ 420,030	\$ 250,000	\$ 7,471,845

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

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,514,669
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	91,273
Net unrealized gain on investments	(75,996)
Net realized loss on investments	11,861
Changes in operating assets and liabilities:	
Accounts receivable	(655,697)
Grants receivable and other receivable	30,914
Prepaid expenses and other current assets	(7,855)
Accounts payable and accrued expenses	(154,177)
Deferred revenue	(46,230)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>708,762</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	275,355
Purchases of investments	(47,219)
Purchases of property and equipment	(36,439)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>191,697</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	900,459
CASH AND CASH EQUIVALENTS - beginning of year	<u>2,295,685</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>\$ 3,196,144</u></u>

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

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Outpatient	Crisis Support/ Emergency	Program Services				Other Programs	Total Program Services	General and Administrative	Total Expenses
			In-Home - On-Site	Prevention/ Intervention	Prevention	Case Management				
PERSONNEL COSTS										
Salaries	\$ 4,644,920	\$ 5,792	\$ 1,282,840	\$ 72,481	\$ 179,007	\$ 636,159	\$ 2,861,311	\$ 9,682,510	\$ 1,291,301	\$ 10,973,811
Payroll taxes and fringe benefits	754,521	1,494	204,052	18,211	20,783	104,126	642,902	1,746,089	168,426	1,914,515
TOTAL PERSONNEL COSTS	5,399,441	7,286	1,486,892	90,692	199,790	740,285	3,504,213	11,428,599	1,459,727	12,888,326
OPERATING EXPENSES										
Building occupancy	320,673	416	275,639	3,308	-	45,199	161,943	807,178	157,732	964,910
Depreciation	48,002	-	-	-	-	-	2,803	50,805	40,468	91,273
Equipment lease costs	9,704	240	18,422	48	-	1,012	11,000	40,426	7,441	47,867
Insurance	51,523	-	66,208	1,422	2,724	15,706	69,289	206,872	95,761	302,633
Operating supplies and expenses	83,359	-	74,827	842	-	8,877	107,230	275,135	218,827	493,962
Professional services	88,200	84	10,196	150	-	340	27,465	126,435	111,877	238,312
Program supplies and expenses	179,676	-	873	218	-	137	80,819	261,723	3,985	265,708
Travel and transportation	84,653	312	6,267	-	-	1,786	135,639	228,657	81,005	309,662
TOTAL OPERATING EXPENSES	865,790	1,052	452,432	5,988	2,724	73,057	596,188	1,997,231	717,096	2,714,327
TOTAL EXPENSES	\$ 6,265,231	\$ 8,338	\$ 1,939,324	\$ 96,680	\$ 202,514	\$ 813,342	\$ 4,100,401	\$ 13,425,830	\$ 2,176,823	\$ 15,602,653

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

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Institute for Child and Family Health, Inc. (the “Institute”) (formerly known as The Children’s Psychiatric Center, Inc.) was organized in 1959 as a not-for-profit organization under the laws of the State of Florida. The purpose of the Institute is to provide clinical services for emotionally disturbed children and their families within Miami-Dade County.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). In September 2009, the Financial Accounting Standards Board (“FASB”) implemented the Accounting Standards Codification (“ASC”) which establishes FASB ASC as the source of authoritative U.S. accounting and reporting standards for nongovernmental entities. Presented below is a summary of significant accounting principles followed in the preparation of the accompanying financial statements.

Basis of Presentation

The Institute reports 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.

All contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Any contributions received that are designated for future periods or are restricted by the donor for a specific purpose are reported as temporarily restricted or permanently restricted support that increases those respective net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted Net Assets – includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transactions (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted class.

Temporarily Restricted Net Assets – includes those net assets whose use by the Institute has been limited by donors to either later periods of time or after specified dates or specified purposes. At June 30, 2010, there was \$420,030 in temporarily restricted net assets.

Permanently Restricted Net Assets – are those net assets that must be maintained by the Institute in perpetuity. Permanently restricted net assets increase when the organization receives contributions for which donor-imposed restrictions limiting the organization’s use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the organization meeting certain requirements. At June 30, 2010, there was \$250,000 in permanently restricted net assets.

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 and disclosures in the financial statements. Actual results could differ from those estimates.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Net Medicaid and Managed Care Revenue

Medicaid and managed care revenue is reported at the estimated net realizable amounts and is recognized in the period that services are provided.

Grants from Government Agencies

Grants from government agencies are recognized as revenue when the grant funds have been expended in accordance with the grant provisions.

Accounts Receivable

Accounts receivable are stated at the amount the Institute expects to collect. The Institute maintains allowances for doubtful accounts and for estimated losses resulting from the inability of its clients to make required payments. Management considers the following factors when determining the collectability of specific customer accounts; Customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the Institute clients were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Institute provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Institute has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Investments

Investments are reported at their fair values in the statement of financial position. Investment income, including realized and unrealized gains and losses, and interest and dividend income are included in the statement of activities as changes in unrestricted or temporarily restricted net assets. Market risk is inherent and is dependent on the future changes in market prices of the various investments held.

Property and Equipment

Property and equipment acquisitions in excess of \$500 are recorded at cost except for donated assets which are recorded at their estimated fair value at the date of donation. The costs of renewals and betterments are capitalized when the life of the property is materially extended. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets (3 to 39 years).

Income Taxes

The Institute is a not-for-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been included in these financial statements.

On July 1, 2009 the Institute adopted the provisions of an accounting standard, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with existing accounting guidance on income taxes, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interest and penalties on tax liabilities, if any; would be recorded as an expense in the statements of activities. No liability for unrecognized tax benefits was recorded as a result of implementing this standard.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Expenses Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

The Institute has evaluated subsequent events through January 24, 2011, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments are restricted for an endowment fund and a capital campaign fund (see Notes 12 and 13).

Investments – restricted are stated at fair value and are summarized as follows as of June 30, 2010:

	<u>Fair Value</u>
Money market funds	\$ 186,583
Common stocks and exchange funds	310,082
Corporate bonds	173,365
	<u>\$ 670,030</u>

The components of total investment return for the year ended June 30, 2010 were as follows:

	<u>2010</u>
Interest and dividends	\$ 11,205
Net realized and unrealized gains on investments reported at fair value	64,135
	<u>\$ 75,340</u>

Interest and dividends from investments is included with other interest and dividends in the accompanying statements of activities and changes in net assets.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – FAIR VALUE MEASUREMENTS

The Institute adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority.

FASB ASC establishes a three-level valuation hierarchy for measurement and disclosure of fair value. The valuation hierarchy is based upon the transparency of inputs used to measure fair value. The three levels are as follows:

Level 1 – asset value is based on actual quoted prices in active markets for identical securities (mark-to-market).

Level 2 – other significant observable inputs are used to arrive at fair value (including yield, quality, coupon rate, maturity, issue type, quoted prices for similar securities, prepayment speeds, trading characteristics, etc.).

Level 3 – significant unobservable inputs (including management’s own assumptions in determining the fair value of investments).

The Institute uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Institute measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. As of June 30, 2010, the Institute had no Level 2 or 3 assets.

The following table represents the Institute’s investments reported at fair value as of June 30, 2010:

Assets	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Money market funds	\$ 186,583	\$ 186,583
Common stocks and exchange funds	310,082	310,082
Corporate bonds	173,365	173,365
Total	\$ 670,030	\$ 670,030

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – GRANTS AND OTHER RECEIVABLE

Management believes that all grants and contracts receivable are fully collectible as of June 30, 2010, and therefore, has not provided a related valuation allowance on these amounts. Grants and other receivable at June 30, 2010 were \$1,329,040.

NOTE 5 – PROPERTY AND EQUIPMENT

At June 30, 2010, property and equipment consisted of the following:

Land	\$ 172,029
Building and leasehold improvements	678,918
Computers and equipment	681,703
Furniture and fixtures	123,347
	<u>1,655,997</u>
Less: accumulated depreciation	(824,299)
	<u>\$ 831,698</u>

Depreciation expense was \$91,273 for the year ended June 30, 2010.

NOTE 6 – OPERATING LEASES

The Institute is obligated under various operating leases expiring through 2012 related to operational facilities and office equipment. Future minimum lease payments required under these operating leases as of June 30, 2010 are as follows:

<u>Years Ending June 30,</u>	
2011	\$ 431,156
2012	200,703
2013	9,283
2014	1,579
2015	1,579
	<u>\$ 644,300</u>

Total rent expense charged to operations was \$430,445 for the year ended June 30, 2010.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – SUPPORT AND REVENUE

During the year ended June 30, 2010, the Institute received its primary funding support from not-for-profit agencies and government agencies, as follows:

Florida Department of Children and Families

Agreements have been entered into with the Florida Department of Children and Families for the funding of Outpatient, Crisis/Support Emergency, On-Site, Prevention-Intervention, Prevention, Case Management, and Non-ADM services for emotionally disturbed children, adolescents and their families.

United Way

Funding is based on annual budgets prepared by the Institute and approved by the United Way.

Miami-Dade County

The Institute entered into agreements with Miami-Dade County for the funding of out-patient service programs.

Miami-Dade County School Board

The Institute entered into agreements with the Miami-Dade County School Board to provide educational tutoring and out-patient psychiatric services.

The Children's Trust

The Institute entered into agreements with the Children's Trust to provide out-patient prevention programs.

Florida Department of Juvenile Justice

The Institute entered into agreements with the Florida Department of Juvenile Justice for the funding of out-patient programs.

Florida Department of Education

The Institute entered into an agreement with the Florida Department of Education to provide all-aboard educational services.

Health Choice Network

The Institute entered into an agreement with Health Choice Network to provide funding for services provided to persons enrolled in the Magellan Service Program.

Medicaid and Managed Care

The Institute entered into agreements with Medicaid and Managed Care agencies for the funding of covered services provided to persons enrolled in mental health care plans. Managed care agencies include, but are not limited to, Psychcare, LLC, Harmony Behavioral Health, Inc., Amerigroup Florida, Inc., the University of Miami and the Public Health Trust of Miami-Dade County.

Healthy Start Coalition of Miami-Dade, Inc.

The Institute entered into an agreement with Healthy Start Coalition of Miami-Dade, Inc. to provide funding for educational and referral services to pregnant women, infants and children.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 – EMPLOYEE BENEFIT PLAN

The Institute maintains a defined contribution pension plan covering all employees who meet eligibility requirements. Contributions to the plan during the fiscal year ended June 30, 2010 were based on 5% of each participant’s compensation. For the year ended June 30, 2010, the amount of defined contribution expense was approximately \$345,307.

NOTE 9 – DEFERRED REVENUE

The Institute receives grants from not-for-profit and governmental agencies. Unearned revenues are recorded as deferred revenue until earned. At June 30, 2010, deferred revenue amounted to \$0.

NOTE 10 – FUNDING/ECONOMIC DEPENDENCE

For the year ended June 30, 2010, 99% of the Institutes total revenues were derived from billings to various governmental programs and managed care contracts (See Note 7). A significant reduction in the government funding, if this were to occur, may have an adverse effect on the Institute’s programs and activities.

NOTE 11 – LINE OF CREDIT

The Institute has available an unsecured line of credit of up to \$500,000 (the “Line”) with interest payable monthly at prime plus one-half percent and with each principal advance due 60 days after date of advance. The Line was renewed in January 2010, with interest payable monthly at the bank’s prime rate. This line of credit is due and payable in full on demand. There were no borrowings under the line of credit at June 30, 2010.

NOTE 12 – RESTRICTED NET ASSETS

Temporarily restricted net assets are those net assets whose use by the Institute is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or otherwise removed by actions of the Institute pursuant to those stipulations. As of June 30, 2010, temporarily restricted assets consisted of \$420,030 held in investments for the Institute’s capital campaign. In addition, the Institute has an endowment of \$250,000, which is permanently restricted (See Note 13). Earnings on the endowment are available for use in the Institute’s capital campaign fund.

NOTE 13- ENDOWMENTS

Endowment net asset composition by type of fund as of June 30, 2010 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 420,030	\$ 250,000	\$ 670,030
Total Funds	\$ -	\$ 420,030	\$ 250,000	\$ 670,030

As indicated in Note 12, the Institute received a permanently restricted donation of \$250,000 which it has recorded as an endowment and are held in investments.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 13- ENDOWMENTS (Continued)

Changes in endowment net assets for the year June 30, 2010 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 584,030	\$ 250,000	\$ 834,030
Investment Return:			
Interest and Dividends, net of fees	11,205	-	11,205
Net appreciation (realized and unrealized)	64,135	-	64,135
Total investment return	75,340	-	75,340
Appropriation of expenditures	(239,340)	-	(239,340)
Endowment net assets, end of year	<u>\$ 420,030</u>	<u>\$ 250,000</u>	<u>\$ 670,030</u>

As of June 30, 2010 there were permanently restricted endowments of \$250,000 held in investments as reflected in these financial statements.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Credit Risk

Financial instruments which potentially subject the Institute to concentrations of credit risk consist principally of cash, grants, accounts receivable and investments. The Institute maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Institute has not experienced any losses in such accounts. The Institute believes it is not exposed to any significant credit risk on cash. Credit risk with respect to governmental agency and program receivables is mitigated by the taxing authority of the governmental entity funding the programs. The Institute's investments in stocks and corporate bonds are subject to the usual risk of market fluctuations inherent in these types of investments.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors of
Institute for Child and Family Health, Inc.
Miami, Florida

We have audited the financial statements of the Institute for Child and Family Health, Inc. (the "Institute") as of and for the year ended June 30, 2010 and have issued our report thereon dated January 24, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed 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 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650 Rules of the Auditor General of the State of Florida, and the schedules of state earnings, program/cost center actual expenses and revenues as required by the Florida Department of Children and Families (the "Department"), *Guide to Performance Contracting for Alcohol, Drug Abuse and Mental Health Services*, are presented for purposes of additional analysis and are 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
January 24, 2011

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
SCHEDULE OF STATE EARNINGS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>KH182</u>	<u>KD228-33</u>	<u>KH183</u>
1. Total Expenditures	\$ 15,602,653	\$ 15,602,653	\$ 15,602,653
2. Less other State and Federal Funds	(2,068,482)	(2,068,482)	(2,068,482)
3. Less Non-Match ADM Funds	917,997	(128,250)	1,447,000
4. Less Unallowable Costs, per 65E-14, F.A.C.	(117,127)	(117,127)	(117,127)
5. Less Unallowable Patient Fees	<u>-</u>	<u>-</u>	<u>-</u>
6. Total Allowable Expenditures (Sum of lines 1,2,3,4 and 5)	14,335,041	13,288,794	14,864,044
7. Maximum Available Earnings (Line 6 times 75%)	10,751,281	9,966,596	11,148,033
8. Less Amount of Funds Requiring Match	<u>(175,344)</u>	<u>(96,750)</u>	<u>-</u>
9. Amount Due to Department, if negative (Subtract line 8 from line 7)	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

See Independent Auditors' Report
on Supplemental Information.

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/State Agency Pass-Through Grantor Program Title	CFDA/ CSFA Number	Grant/Contract Number	Expenditures	Transfer to Subrecipients
FEDERAL AWARDS				
U.S. Department of Health and Human Services				
<i>Pass-through Florida Department of Children and Families</i>				
Community Mental Health Services	93.958	KH182	\$ 503,448	\$ -
Substance Abuse Prevention and Treatment	93.959	KH182	350,687	-
The Children Health Insurance Program	93.767	KH183	1,439,000	-
Total Florida Department of Children and Families			<u>2,293,135</u>	<u>-</u>
<i>Pass-through Healthy Start Coalition of Miami-Dade, Inc.</i>				
Medical Assistance Program	93.778	HSICF	233,259	-
Maternal and Child Health Services	93.994	HSICF	53,564	-
Total Healthy Start Coalition of Miami-Dade, Inc.			<u>286,823</u>	<u>-</u>
U.S. Department of Education				
<i>Pass-through School Board of Miami-Dade County</i>				
Special Education	84.027	K02473615	64,232	-
Total Expenditures of Federal Awards			<u>\$ 2,644,190</u>	<u>\$ -</u>
STATE FINANCIAL ASSISTANCE				
Florida Department of Children and Families				
Children's Mental Health - Community Support	60.055	KH182	\$ 239,205	\$ -
<i>Pass-through South Florida Behavioral Health Network, Inc.</i>				
Children's Substance Abuse - Treatment & Aftercare	60.102	KD228-33	225,000	-
Florida Department of Juvenile Justice				
<i>Pass-through Communities in School of Miami, Inc.</i>				
Mental Health Services	80.011	DJJ	19,800	-
Conditional Release Services and Contracted Intensive Probation	80.018, 80.019	FFT Redirections	292,000	-
Conditional Release Services and Contracted Intensive Probation	80.018, 80.019	MST	445,920	-
Total Communities in School of Miami, Inc.			<u>757,720</u>	<u>-</u>
Total State Financial Assistance			<u>\$ 1,221,925</u>	<u>\$ -</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 3,866,115</u>	<u>\$ -</u>

See Independent Auditors' Report
on Supplemental Information.

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 of
Institute for Child and Family Health, Inc.
Miami, Florida

We have audited the financial statements of the Institute for Child and Family Health, Inc. (the "Institute") a nonprofit organization, as of and for the year ended June 30, 2010, and have issued our report thereon dated January 24, 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 the Institute'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 Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as SD-2010-1 and SD-2010-2 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute'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 reported to the management of the Institute in a separate letter dated January 24, 2011.

The Institute's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Institute's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, audit committee, management, others within the entity, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
January 24, 2011

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 CHAPTER 10.650 RULES OF THE AUDITOR GENERAL

To the Board of Directors of
Institute of Child and Family Health, Inc.
Miami, Florida

Compliance

We have audited the compliance of the Institute of Child and Family Health, Inc. (the "Institute"), 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. The Institute'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 the Institute's management. Our responsibility is to express an opinion on the Institute'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 of the State of Florida*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General of the State of Florida*, 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 the Institute'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 the Institute's compliance with those requirements.

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Institute 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 the Institute'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 the Institute'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 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 audit committee, management, board of directors, 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.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
January 24, 2011

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2010**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Type of auditor's report issued on compliance for major program: *Unqualified*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

Name Federal Program or Cluster	CFDA Number	Expenditures
The Children Health Insurance Program	93.767	\$ 1,439,000
Community Mental Health Services	93.958	\$ 503,448
Substance Abuse Prevention Treatment	93.959	\$ 350,687

Dollar threshold used to distinguish between type A and type B programs. \$ 300,000

Auditee qualified as low-risk auditee? yes no

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2010**

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

State Financial Assistance

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

Internal control over major projects:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes no

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650 "Rules of the Auditor General?" yes no

Identification of major projects:

Name of State Project or Cluster	CSFA Number	Expenditures
Conditional Release Services and Contracted Intensive Probation	80.018, 80.019	\$ 737,920

Dollar threshold used to distinguish between type A and type B projects. \$ 300,000

Auditee qualified as low-risk auditee? N/A

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION II - FINANCIAL STATEMENT FINDINGS

SD 2010-1 RECORDING OF TRANSACTIONS

Criteria

In order to produce meaningful monthly and annual financial reports, the Institute must record all monthly and year-end adjustments on a timely basis. This will assist management in budgeting and forecasting, and most importantly, in interpreting the results of operations.

Condition

Audit adjustments were proposed for various accounts including accounts receivable, accrued expenses, net assets, grant revenues, discount and allowances, and expenses.

Effect

Interim and year-end financial statements utilized by management may not be materially accurate.

Recommendation

Although year-end financial statements have been properly adjusted, management should establish more effective controls over the review and reconciliation of financial information to ensure all accounts are recorded correctly.

Management Response

Management will make adjustments monthly.

SD 2010-2 GRANT RECEIVABLES AND GRANT REVENUE

Criteria

Adjustments were not posted throughout the year to grant receivables and grant revenues.

Condition

Year-end adjustments were proposed and posted to certain grant receivables and grant revenues due to overstatement or understatement of these accounts.

Effect

Grant revenue and receivable reports may not be materially accurate.

Recommendation

Management should improve its controls over the recording of its grant revenues and receivables.

Management Response

Management will review grant revenue and receivables monthly and make any necessary adjustments.

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS

The audit disclosed no matters that are reportable.

SECTION IV - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

The audit disclosed no matters that are reportable.

SECTION V - OTHER ISSUES

1. A management letter was issued and reported to management in a separate letter dated January 24, 2011.
2. A Summary Schedule of Prior Audit Findings was required and included on page 26.
3. No Corrective Action Plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

FINDING	DESCRIPTION OF FINDING	STATUS
2009-1 Accounts Receivable- Managed Care	The general ledger accounts receivable was not updated on a regular basis when payments for billings were received. In addition, certain entries were posted to the incorrect general ledger receivable account.	Corrective action taken.