

MANATEE CHILDREN'S SERVICES, INC.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

MANATEE CHILDREN'S SERVICES, INC.
 FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2010

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SHINN & COMPANY LLC

Certified Public Accountants and Consultants

1001 3rd Ave W., Suite 500 Bradenton, FL 34205
t (941) 747-0500 f (941) 746-0202
www.shinnandcompany.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Manatee Children's Services, Inc.
Bradenton, Florida

We have audited the accompanying statement of financial position of Manatee Children's Services, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Manatee Children's Services, Inc.'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 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 Manatee Children's Services, 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 our report dated January 24, 2011, on our consideration of Manatee Children's Services, Inc.'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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Manatee Children's Services, Inc. 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 Chapter 10.650, Nonprofit and For-Profit Organizations, Rules of the Auditor General of the State of Florida, 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.

Shinn & Company LLC
CERTIFIED PUBLIC ACCOUNTANTS

January 24, 2011
Bradenton, Florida

MANATEE CHILDREN'S SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2010

ASSETS

Cash and equivalents	\$ 78,639
Investments - Note B	44,967
Contracts receivable	244,830
Property and equipment, less accumulated depreciation of \$563,723 – Note C	782,282
Utility and security deposits	<u>9,571</u>

Total assets \$ 1,160,289

LIABILITIES AND NET ASSETS

Accounts payable	\$ 92,518
Accrued expenses	86,733
Accrued vacation – Note G	51,279
Notes payable – Note D	<u>327,603</u>
Total liabilities	558,133

Unrestricted net assets 602,156

Total liabilities and net assets \$ 1,160,289

See accompanying notes.

MANATEE CHILDREN'S SERVICES, INC.
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUE			
Federal and state grants	\$ -	\$ 1,456,692	\$ 1,456,692
County grants	-	508,077	508,077
Contributions	197,501	-	197,501
In-kind contributions	112,781	-	112,781
Special events	49,154	-	49,154
Thrift shop sales	10,821	-	10,821
Miscellaneous	35,071	-	35,071
Investment income	6,928	-	6,928
Net assets released from restrictions, satisfaction of purpose restrictions	<u>1,964,769</u>	<u>(1,964,769)</u>	<u>-</u>
Total public support and revenue	<u>2,377,025</u>	<u>-</u>	<u>2,377,025</u>
EXPENSES			
PROGRAM SERVICES:			
Building Resiliency in Children	124,849	-	124,849
Crisis Intervention Specialist	50,948	-	50,948
Child Protection Team	376,274	-	376,274
Shelter Home	715,833	-	715,833
Group Homes	452,841	-	452,841
Personal Safety	88,373	-	88,373
SCAN/ Mental Health Therapist	116,279	-	116,279
Kinship	83,735	-	83,735
Sexual Abuse Treatment Program	83,343	-	83,343
Street Outreach	37,295	-	37,295
Sexual Violence Prevention Program	52,242	-	52,242
Twice the Charm Thrift Shop	<u>42,839</u>	<u>-</u>	<u>42,839</u>
Total program services	<u>2,224,851</u>	<u>-</u>	<u>2,224,851</u>
SUPPORT SERVICES:			
Management and General	222,828	-	222,828
Fundraising	<u>36,676</u>	<u>-</u>	<u>36,676</u>
Total program and support services	<u>2,484,355</u>	<u>-</u>	<u>2,484,355</u>
CHANGE IN NET ASSETS	(107,330)	-	(107,330)
NET ASSETS AT BEGINNING OF YEAR	<u>709,486</u>	<u>-</u>	<u>709,486</u>
NET ASSETS AT END OF YEAR	<u>\$ 602,156</u>	<u>\$ -</u>	<u>\$ 602,156</u>

See accompanying notes.

MANATEE CHILDREN'S SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2010

	PROGRAM SERVICES											SUPPORTING SERVICES			TOTAL PROGRAM AND SUPPORTING SERVICES																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
	Building Resiliency in Children	Crisis Intervention Specialist	Child Protection Team	Shelter Home	Group Homes	Personal Safety	SCAN/ Mental Health Therapist	Kinship	Sexual Abuse Treatment Program	Street Outreach	Sexual Violence Prevention Program	Twice the Charm Thrift Shop	Total	Management and General		Fundraising																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Salaries and related expenses:																	Salaries	\$ 87,904	\$ 41,708	\$ 198,064	\$ 395,241	\$ 200,400	\$ 64,380	\$ 76,167	\$ 40,794	\$ 55,725	\$ 22,038	\$ 36,178	\$ 10,525	\$ 1,229,144	\$ 132,945	\$ -	\$ 1,362,089	Payroll taxes and costs	7,679	3,839	18,150	50,808	20,329	5,768	7,874	3,783	4,862	1,986	3,433	1,438	129,949	9,582	-	139,531	Employee fringe costs	6,836	4,257	19,726	36,919	15,801	4,553	9,989	5,009	6,499	88	245	-	109,922	14,754	-	124,676	Total salaries and related expenses	102,419	49,804	235,960	482,968	236,530	74,701	94,030	49,586	67,086	24,112	39,856	11,963	1,469,015	157,281	-	1,626,296	Other expenses:																	Occupancy	4,672	-	33,318	48,122	40,447	4,517	7,905	2,663	4,473	1,680	2,105	8,625	158,527	13,772	-	172,299	Insurance	2,245	-	12,372	45,875	34,350	1,567	1,441	2,119	2,14	531	22	-	101,963	4,077	-	106,040	Client supplies/education	150	-	-	53,772	62,982	-	2,127	2,461	214	697	17	-	122,420	390	-	122,810	Professional services	700	-	58,420	9,600	6,420	700	280	6,605	880	2,547	220	-	86,372	3,235	-	89,607	Donated materials	7,661	-	260	16,152	7,578	-	5,969	17,754	5,159	4,926	5,065	19,250	89,774	8,569	14,438	112,781	Telephone	2,122	-	4,189	11,108	9,057	807	960	889	300	530	114	894	30,970	1,833	-	32,803	Rental and maintenance	1,143	-	4,915	6,861	4,972	1,143	457	782	457	100	408	-	21,238	3,269	-	24,507	Office expense	2,344	709	17,770	8,369	6,022	1,837	1,302	1,029	1,090	1,055	1,198	1,689	44,414	5,857	-	50,271	Interest	-	-	-	9,806	15,263	-	-	-	-	-	-	-	25,069	-	-	25,069	Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Staff expenses	117	-	171	782	153	181	12	121	56	83	188	-	1,864	2,595	22,238	22,238	Travel	719	-	973	292	264	1,145	272	273	261	-	1,106	-	5,305	99	-	4,459	Miscellaneous	51	-	-	-	3,958	2	2	-	-	-	-	-	4,013	13,557	-	5,404	Conferences and training	329	-	5,879	1,802	1,833	729	1,008	60	1,176	1,034	1,913	-	15,763	962	-	17,570	Dues and subscriptions	48	-	1,078	352	317	48	29	19	20	-	-	-	1,911	1,235	-	16,725	Bank fees	4	-	11	1,842	2,694	4	2	2	2	-	1	50	4,612	119	-	3,146	Marketing	125	-	526	800	505	125	50	50	50	-	29	368	2,628	719	-	4,731	Loss on disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	927	-	927	Total other expenses	22,430	709	139,882	215,535	196,815	12,805	21,816	34,149	16,257	13,183	12,386	30,876	716,843	61,215	36,676	814,734	Total expenses before depreciation	124,849	50,513	375,842	698,503	433,345	87,506	115,846	83,735	83,343	37,295	52,242	42,839	2,185,858	218,496	36,676	2,441,030	Depreciation	-	435	432	17,330	19,496	867	433	-	-	-	-	-	38,993	4,332	-	43,325	Total expenses	\$ 124,849	\$ 50,948	\$ 376,274	\$ 715,833	\$ 452,841	\$ 88,373	\$ 116,279	\$ 83,735	\$ 83,343	\$ 37,295	\$ 52,242	\$ 42,839	\$ 2,224,851	\$ 222,828	\$ 36,676	\$ 2,484,355
Salaries	\$ 87,904	\$ 41,708	\$ 198,064	\$ 395,241	\$ 200,400	\$ 64,380	\$ 76,167	\$ 40,794	\$ 55,725	\$ 22,038	\$ 36,178	\$ 10,525	\$ 1,229,144	\$ 132,945	\$ -	\$ 1,362,089																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Payroll taxes and costs	7,679	3,839	18,150	50,808	20,329	5,768	7,874	3,783	4,862	1,986	3,433	1,438	129,949	9,582	-	139,531																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Employee fringe costs	6,836	4,257	19,726	36,919	15,801	4,553	9,989	5,009	6,499	88	245	-	109,922	14,754	-	124,676																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Total salaries and related expenses	102,419	49,804	235,960	482,968	236,530	74,701	94,030	49,586	67,086	24,112	39,856	11,963	1,469,015	157,281	-	1,626,296																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Other expenses:																	Occupancy	4,672	-	33,318	48,122	40,447	4,517	7,905	2,663	4,473	1,680	2,105	8,625	158,527	13,772	-	172,299	Insurance	2,245	-	12,372	45,875	34,350	1,567	1,441	2,119	2,14	531	22	-	101,963	4,077	-	106,040	Client supplies/education	150	-	-	53,772	62,982	-	2,127	2,461	214	697	17	-	122,420	390	-	122,810	Professional services	700	-	58,420	9,600	6,420	700	280	6,605	880	2,547	220	-	86,372	3,235	-	89,607	Donated materials	7,661	-	260	16,152	7,578	-	5,969	17,754	5,159	4,926	5,065	19,250	89,774	8,569	14,438	112,781	Telephone	2,122	-	4,189	11,108	9,057	807	960	889	300	530	114	894	30,970	1,833	-	32,803	Rental and maintenance	1,143	-	4,915	6,861	4,972	1,143	457	782	457	100	408	-	21,238	3,269	-	24,507	Office expense	2,344	709	17,770	8,369	6,022	1,837	1,302	1,029	1,090	1,055	1,198	1,689	44,414	5,857	-	50,271	Interest	-	-	-	9,806	15,263	-	-	-	-	-	-	-	25,069	-	-	25,069	Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Staff expenses	117	-	171	782	153	181	12	121	56	83	188	-	1,864	2,595	22,238	22,238	Travel	719	-	973	292	264	1,145	272	273	261	-	1,106	-	5,305	99	-	4,459	Miscellaneous	51	-	-	-	3,958	2	2	-	-	-	-	-	4,013	13,557	-	5,404	Conferences and training	329	-	5,879	1,802	1,833	729	1,008	60	1,176	1,034	1,913	-	15,763	962	-	17,570	Dues and subscriptions	48	-	1,078	352	317	48	29	19	20	-	-	-	1,911	1,235	-	16,725	Bank fees	4	-	11	1,842	2,694	4	2	2	2	-	1	50	4,612	119	-	3,146	Marketing	125	-	526	800	505	125	50	50	50	-	29	368	2,628	719	-	4,731	Loss on disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	927	-	927	Total other expenses	22,430	709	139,882	215,535	196,815	12,805	21,816	34,149	16,257	13,183	12,386	30,876	716,843	61,215	36,676	814,734	Total expenses before depreciation	124,849	50,513	375,842	698,503	433,345	87,506	115,846	83,735	83,343	37,295	52,242	42,839	2,185,858	218,496	36,676	2,441,030	Depreciation	-	435	432	17,330	19,496	867	433	-	-	-	-	-	38,993	4,332	-	43,325	Total expenses	\$ 124,849	\$ 50,948	\$ 376,274	\$ 715,833	\$ 452,841	\$ 88,373	\$ 116,279	\$ 83,735	\$ 83,343	\$ 37,295	\$ 52,242	\$ 42,839	\$ 2,224,851	\$ 222,828	\$ 36,676	\$ 2,484,355																																																																																					
Occupancy	4,672	-	33,318	48,122	40,447	4,517	7,905	2,663	4,473	1,680	2,105	8,625	158,527	13,772	-	172,299																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Insurance	2,245	-	12,372	45,875	34,350	1,567	1,441	2,119	2,14	531	22	-	101,963	4,077	-	106,040																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Client supplies/education	150	-	-	53,772	62,982	-	2,127	2,461	214	697	17	-	122,420	390	-	122,810																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Professional services	700	-	58,420	9,600	6,420	700	280	6,605	880	2,547	220	-	86,372	3,235	-	89,607																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Donated materials	7,661	-	260	16,152	7,578	-	5,969	17,754	5,159	4,926	5,065	19,250	89,774	8,569	14,438	112,781																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Telephone	2,122	-	4,189	11,108	9,057	807	960	889	300	530	114	894	30,970	1,833	-	32,803																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Rental and maintenance	1,143	-	4,915	6,861	4,972	1,143	457	782	457	100	408	-	21,238	3,269	-	24,507																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Office expense	2,344	709	17,770	8,369	6,022	1,837	1,302	1,029	1,090	1,055	1,198	1,689	44,414	5,857	-	50,271																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Interest	-	-	-	9,806	15,263	-	-	-	-	-	-	-	25,069	-	-	25,069																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Staff expenses	117	-	171	782	153	181	12	121	56	83	188	-	1,864	2,595	22,238	22,238																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Travel	719	-	973	292	264	1,145	272	273	261	-	1,106	-	5,305	99	-	4,459																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Miscellaneous	51	-	-	-	3,958	2	2	-	-	-	-	-	4,013	13,557	-	5,404																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Conferences and training	329	-	5,879	1,802	1,833	729	1,008	60	1,176	1,034	1,913	-	15,763	962	-	17,570																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Dues and subscriptions	48	-	1,078	352	317	48	29	19	20	-	-	-	1,911	1,235	-	16,725																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Bank fees	4	-	11	1,842	2,694	4	2	2	2	-	1	50	4,612	119	-	3,146																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Marketing	125	-	526	800	505	125	50	50	50	-	29	368	2,628	719	-	4,731																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Loss on disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	927	-	927																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Total other expenses	22,430	709	139,882	215,535	196,815	12,805	21,816	34,149	16,257	13,183	12,386	30,876	716,843	61,215	36,676	814,734																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Total expenses before depreciation	124,849	50,513	375,842	698,503	433,345	87,506	115,846	83,735	83,343	37,295	52,242	42,839	2,185,858	218,496	36,676	2,441,030																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Depreciation	-	435	432	17,330	19,496	867	433	-	-	-	-	-	38,993	4,332	-	43,325																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Total expenses	\$ 124,849	\$ 50,948	\$ 376,274	\$ 715,833	\$ 452,841	\$ 88,373	\$ 116,279	\$ 83,735	\$ 83,343	\$ 37,295	\$ 52,242	\$ 42,839	\$ 2,224,851	\$ 222,828	\$ 36,676	\$ 2,484,355																																																																																																																																																																																																																																																																																																																																																																																																																																																																											

See accompanying notes.

MANATEE CHILDREN'S SERVICES, INC.
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ (107,330)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	43,325
Investment gain	(6,720)
Loss on disposal of asset	927
Changes in assets and liabilities:	
Increase in contracts receivable	(26,321)
Increase in accounts payable	22,578
Increase in accrued vacation	1,618
Increase in accrued expenses	82,307
Decrease in refundable advances	<u>(1,430)</u>
NET CASH PROVIDED FOR OPERATING ACTIVITIES	<u>8,954</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(208)
Purchases of property and equipment	<u>(47,954)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(48,162)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on notes payable	<u>(32,592)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>(32,592)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(71,800)
BEGINNING CASH AND CASH EQUIVALENTS	<u>150,439</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 78,639</u>
SUPPLEMENTAL DISCLOSURE:	
Cash paid during the year for interest	<u>\$ 25,092</u>

See accompanying notes.

MANATEE CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Manatee Children's Services, Inc. (MCS) was incorporated on May 26, 1977 and is a not-for-profit corporation whose purpose is to improve the health, welfare, education, housing and treatment of abused, delinquent, dependent or runaway children in Manatee County, Florida.

MCS is funded primarily by Federal and State grants and local contributions.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB), under which MCS is required to report information regarding its financial position and activities according to three classes of net assets:

- a) Unrestricted net assets have no donor restrictions and have met all legal and donor requirements.
- b) Temporarily restricted net assets are temporarily restricted by donor stipulations and requirements.
- c) Permanently restricted net assets are permanently restricted by donor stipulations and requirements.

As of June 30, 2010 there were no permanently or temporarily restricted net assets.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received. As of June 30, 2010 there were no unconditional promises to give.

Donated Materials and Services

During the year ended June 30, 2010, Manatee Children's Services, Inc. recorded \$112,781 of in-kind contributions of equipment, client supplies and the values of contributed services meeting the requirements for recognition in the financial statements. In addition, many individuals volunteer their time and perform a variety of tasks that assist MCS at the various facilities, but these services do not meet the criteria for recognition as contributed services.

MANATEE CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates

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

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value upon date of donation. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, MCS reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. MCS reclassifies temporarily restricted net assets to unrestricted net assets at that time.

MCS follows the practice of capitalizing all expenditures for land, building and equipment in excess of \$500. Property and equipment are depreciated using the straight-line method over the estimated useful life of assets. Maintenance and repair costs are expensed as incurred. The class lives for the more significant items within each property classification are as follows:

Buildings and improvements	15 – 39 years
Furniture and appliances	7 – 10 years
Office equipment	5 – 7 years
Vehicles	5 years

Cash Equivalents

For purposes of the statement of cash flows, MCS considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Functional Allocation of Expenses

The costs of providing MCS's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Manatee Children's Services, Inc. has been granted an exemption from income taxes under Internal Revenue Code Section 501 (c)(3) as a not-for-profit corporation.

MANATEE CHILDREN'S SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE B – INVESTMENTS

Investments are composed of mutual funds and money market accounts and are carried at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Investments, at fair value, consist of the following at June 30, 2010:

ING Equity funds	\$ 30,758
Genworth Financial Mutual funds	14,209
	\$ 44,967

Unrealized gain on investments for the year ended June 30, 2010 was \$6,720.

NOTE C – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2010:

Land – Shelter home	\$ 8,000
Land – Group homes	28,614
Building and improvements – Shelter home	556,376
Building and improvements – Group homes	257,143
Building – Group homes	181,386
Furniture and appliances – Shelter home	49,542
Office equipment	173,273
Vehicles – Shelter home and Group homes	88,239
Library	3,432
	1,346,005
Less: accumulated depreciation	563,723
	\$ 782,282

Depreciation expense during the period was \$43,325.

MANATEE CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE D – NOTES PAYABLE

Notes payable, as of June 30, 2010, consisted of the following:

Note payable from Fifth Third Bank with monthly installments of \$1,400, including interest at 7.5%; collateralized by the 38 th Ave. East Emergency Shelter; maturing April 2013 at which time a balloon payment of the remaining balance is due.	\$ 137,357
Note payable from Fifth Third Bank with monthly installments of \$1,231, including interest at 8%; collateralized by the 2 nd Street Group Home; maturing March 2012.	111,633
Note payable from Wachovia Bank with monthly installments of \$1,035, plus interest at a rate equal to the bank's base rate plus .25 basis points, currently at 6.94%; collateralized by the 23 rd Street Group Home; maturing December 2011 at which time a balloon payment of the remaining balance is due.	78,613
	\$ 327,603

Future maturities of long-term debt, as of June 30, 2010, were as follows:

Year Ended June 30		
2011	\$	90,130
2012		113,622
2013		123,851
	\$	327,603

NOTE E – LEASE COMMITMENTS

In 2001, MCS entered into a non-cancelable operating lease for its administrative offices and the thrift store, the term of which expires on October 14, 2011. Future minimum lease payments under this non-cancellable operating lease are as follows:

Fiscal year ending June 30:		
2010	\$	81,872
2011		25,084

Rent expense for the year ended June 30, 2010 was \$96,084.

NOTE F – EMPLOYEE RETIREMENT PLAN

MCS provides to its full time employees a tax deferred retirement program. MCS contributes 3% of the employee's current annual salary to a deferred retirement program. Retirement expense was \$11,120 during the current year.

MANATEE CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE G – COMPENSATED ABSENCES

Manatee Children's Services, Inc.'s policy for compensated absences is as follows:

Vacation – Vacation is earned based on time employed. The first year of employment, an employee can earn 10 days of annual leave time. At four years and ten years annual leave increases to 15 and 20 days respectively. It is paid at rates in effect at the time the employee is absent for vacation leave. As of June 30, 2010, employees accumulated approximately 2,500 hours for which management computed an obligation of \$51,279. This obligation is accrued on the statement of financial position.

NOTE H – CONCENTRATIONS

Operations

MCS's operations are concentrated in the social services area of health, welfare, education, housing and treatment of abused, delinquent, dependent or runaway children. The operations of the Organization are dependent on the funding by federal, state and local grants. Such funding is subject to change with little notice.

Credit risk

Manatee Children's Services, Inc. maintains cash accounts at three financial institutions located in Manatee County. At June 30, 2010, the Organization's cash and cash equivalents did not exceed federally insured limits.

NOTE I – FAIR VALUE MEASUREMENT

The Organization applies GAAP for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities. The Organization's Level 1 assets include equity securities that are traded in an active exchange market.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Organization did not carry Level 2 financial assets or liabilities as of June 30, 2010.

MANATEE CHILDREN'S SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE I – FAIR VALUE MEASUREMENT – CONTINUED

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation. The Organization did not carry Level 3 financial assets or liabilities as of June 30, 2010.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Financial assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement Using:
<u>June 30, 2010</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Equity Securities	<u>\$ 44,967</u>

NOTE J – SUBSEQUENT EVENTS

Subsequent events were evaluated through January 24, 2011, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

SHINN & COMPANY LLC

Certified Public Accountants and Consultants

1001 3rd Ave W., Suite 500 Bradenton, FL 34205
t (941) 747-0500 f (941) 746-0202
www.shinnandcompany.com

INDEPENDENT AUDITOR'S 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
Manatee Children's Services, Inc.
Bradenton, Florida

We have audited the financial statements of Manatee Children's Services, Inc. (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 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 Manatee Children's Services, Inc.'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 Manatee Children's Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manatee Children's Services, Inc.'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 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 Manatee Children's Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results 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, others within the organization 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.

Shinn & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS

January 24, 2011
Bradenton, Florida

SHINN & COMPANY LLC

Certified Public Accountants and Consultants

1001 3rd Ave W., Suite 500 Bradenton, FL 34205
t (941) 747-0500 f (941) 746-0202
www.shinnandcompany.com

INDEPENDENT AUDITOR'S 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
THE STATE OF FLORIDA SINGLE AUDIT ACT

Board of Directors
Manatee Children's Services, Inc.
Bradenton, Florida

Compliance

We have audited the compliance of Manatee Children's Services, Inc. (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 State of Florida Department of Financial Services State Project Compliance Supplement* that are applicable to each of its major federal programs and state projects for the year ended June 30, 2010. Manatee Children's Services, Inc.'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 are the responsibility of Manatee Children's Services, Inc.'s management. Our responsibility is to express an opinion on Manatee Children's Services, Inc.'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, *Nonprofits and For-profit Organizations, Rules of the Auditor General of the State of Florida*. Those standards, OMB Circular A-133, and the 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 Manatee Children's Services, Inc.'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 Manatee Children's Services, Inc.'s compliance with those requirements.

In our opinion, Manatee Children's Services, Inc. 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.

Member

Private Companies Practice Section
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Internal Control Over Compliance

The management of Manatee Children's Services, Inc. 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 Manatee Children's Services, Inc.'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 the State of Florida Single Audit Act, 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 Manatee Children's Services, Inc.'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 would not necessarily identify all deficiencies in internal control 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, others within the organization and federal and state awarding agencies, pass-through entities and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Shinn & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS

January 24, 2011
Bradenton, Florida

MANATEE CHILDREN'S SERVICES, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE
 For the Year Ended June 30, 2010

Federal/State Agency, Pass-through Entity Federal Program/State Project	State Contract/ Grant Number	CFDA/ CSFA Number	Expenditures
U.S. Department of Justice			
Passed through Florida Office of Attorney General Victims of Crime Act	V09165	16.575	\$ <u>77,643</u>
U.S. Department of Health and Human Services			
Passed through Florida Department of Health Children's Medical Services	CPT6B	93.667	143,140
Passed through Florida Department of Children and Families Passed through YMCA Children, Youth and Family Services, Inc.			
Emergency Shelter	9023	93.658	147,620
Emergency Shelter	9023	93.667	119,048
Group Homes	9023	93.658	118,048
Group Homes	9023	93.667	95,200
Passed through Eckerd Youth Alternatives Emergency Shelter	ECA-OOHC-MCS-FY10	93.658	15,478
Emergency Shelter	ECA-OOHC-MCS-FY10	93.667	12,483
Passed through Hillsborough Kids, Inc. Emergency Shelter	N/A	93.658	4,467
Emergency Shelter	N/A	93.667	3,603
Street Outreach Program	90YO0042/01	93.557	<u>35,840</u>
Total U.S. Department of Health and Human Services			<u>694,927</u>
U.S. Center for Disease Control and Prevention			
Passed through the Florida Department of Health Sexual Violence Prevention Program	COH7D	93.136	<u>50,743</u>
U.S. Department of Agriculture			
Passed through the Florida Department of Education Breakfast/Lunch Program	01-0271	10.553	13,050
Breakfast/Lunch Program	01-0271	10.555	<u>12,110</u>
Total U.S. Department of Agriculture			<u>25,160</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 848,473</u>

MANATEE CHILDREN'S SERVICES, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE – CONTINUED
 For the Year Ended June 30, 2010

Federal/State Agency, Pass-through Entity Federal Program/State Project	State Contract/ Grant Number	CFDA/ CSFA Number	Expenditures
Florida Department of Health			
Children's Medical Services	CPT6B	64.006	\$ 174,950
Sexual Abuse Treatment Program	CSAMA	64.006	<u>6,000</u>
Total Florida Department of Health			<u>180,950</u>
Florida Department of Children and Families			
Passed through YMCA Children, Youth and Family Services, Inc.			
Emergency Shelter	9023	60.094	209,525
Group Homes	9023	60.094	167,552
Passed through Eckerd Youth Alternatives			
Emergency Shelter	ECA-OOHC-MCS-FY10	60.094	21,969
Passed through Hillsborough Kids, Inc.			
Emergency Shelter	N/A	60.094	<u>6,340</u>
Total Florida Department of Children and Families			<u>405,386</u>
TOTAL STATE FINANCIAL ASSISTANCE			<u>\$ 586,336</u>

MANATEE CHILDREN'S SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2010

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Manatee Children's Services, Inc. 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, *Florida Single Act Audits, Non-profit and For-profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

MANATEE CHILDREN'S SERVICES, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL PROGRAMS AND STATE 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 weaknesses identified? No
 Significant deficiencies identified not considered to be material weaknesses? None reported
 Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:
 Material weaknesses identified? No
 Significant deficiencies identified not considered to be material weaknesses? None reported
 Type of auditor's report issued on compliance for major federal programs: Unqualified
 Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a) No

Identification of major programs:

<u>Federal Programs</u>	
<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.667	Social Services Block Grant
93.658	Foster Care - Title IV-E

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

Federal Programs \$ 300,000
 Auditee qualified as low-risk auditee? No

State Financial Assistance

Type of auditor's report issued on compliance for major state projects: Unqualified
 Material weaknesses identified? No
 Significant deficiencies identified not considered to be material weaknesses? None reported

Identification of major projects:

<u>CSFA Number</u>	<u>Name of State Project</u>
60.094	Community - Based Care Supports
64.006	Medical Services for Abused and Neglected Children

Dollar threshold used to determine Type A projects:

State Projects \$ 170,457

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no current year findings

SECTION III – MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings

MANATEE CHILDREN'S SERVICES, INC.
PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS
For the Year Ended June 30, 2010

Finding 2009-1

Description: Accounting records did not delineate between federal and state expenditures for a contract which included both funding sources.

Status: This finding was corrected by management.

Corrective action: Management created a cost center which specifically identifies funding source.

SHINN & COMPANY LLC

Certified Public Accountants and Consultants

1001 3rd Ave W., Suite 500 Bradenton, FL 34205
t (941) 747-0500 f (941) 746-0202
www.shinnandcompany.com

MANAGEMENT LETTER

Board of Directors
Manatee Children's Services, Inc.
Bradenton, Florida

We have audited the financial statements of Manatee Children's Services, Inc. as of and for the fiscal 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; 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*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 24, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or are likely to have occurred, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, there were no such matters.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Bradenton, Florida
January 24, 2011