

**NORTHWEST FLORIDA COMPREHENSIVE
SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT**

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2010

**NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT**

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northwest Florida Comprehensive Services for Children, Inc.
d/b/a Families Count
Pensacola, Florida

We have audited the accompanying statement of financial position of Northwest Florida Comprehensive Services for Children, Inc., d/b/a Families Count ("Families Count") (a not-for-profit 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 Families Count's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Families Count as of June 30, 2010, and the change 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 February 11, 2011, on our consideration of Families Count'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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Northwest Florida Comprehensive Services for Children, Inc.
d/b/a Families Count

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Families Count taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, *Rules of the Auditor General of the State of Florida* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Pensacola, Florida
February 11, 2011

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

Current Assets:

Cash	\$ 579,386
Investments	344,077
Accounts receivable	314,384
Prepaid expenses	15,168
Total current assets	1,253,015

Property and Equipment, net	460,251
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Other Assets:

Security deposits	11,425
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Total Assets	\$ 1,724,691
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 18,989
Accrued liabilities	228,048
Refundable advances	302,327
Note payable	250,000
Total current liabilities	799,364

Commitments and Contingencies

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Net Assets:

Unrestricted -	
Board designated	250,000
Undesignated	675,327
Total unrestricted net assets	925,327

Total Liabilities and Net Assets	\$ 1,724,691
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The accompanying notes are an integral
part of these financial statements.

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Revenue and Support:

Contract and grant support	\$ 3,061,957
Other revenue	224,356
Investment income, including gains and losses	7,322
Donations and other income	38,636
In-kind contributions	<u>304,279</u>
 Total revenue and support	 <u>3,636,550</u>

Expenses:

Program services - Children services	 <u>3,670,689</u>
Supporting services - General and administrative	 35,043
Fund-raising	<u>3,281</u>
Total supporting services	<u>38,324</u>
 Total expenses	 <u>3,709,013</u>

Change in Net Assets	(72,463)
Net Assets at July 1, 2009	<u>997,790</u>
Net Assets at June 30, 2010	<u><u>\$ 925,327</u></u>

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

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

	Program Services	Supporting Services		Total Expenses
	Children	General and Administrative	Fund-raising	
Personnel:				
Salaries	\$ 2,002,060	\$ 192,366	\$ -	\$ 2,194,426
Taxes and other payroll costs	255,174	28,091	-	283,265
	<u>2,257,234</u>	<u>220,457</u>	<u>-</u>	<u>2,477,691</u>
Other:				
Professional fees and contractual services	90,276	18,482	-	108,758
Direct assistance to families	202,602	-	-	202,602
Travel and training	115,600	3,673	-	119,273
Rental of office space	94,171	46,440	-	140,611
Utilities	12,860	3,207	-	16,067
Printing and postage	24,729	4,958	-	29,687
Insurance and bonding	38,519	244	-	38,763
Repairs and maintenance	11,997	5,283	-	17,280
Communication	62,474	8,541	-	71,015
Dues and memberships	14,740	1,399	-	16,139
Office supplies	27,641	3,880	-	31,521
Advertising	522	2,116	-	2,638
Network computer services	6,141	2,352	-	8,493
Depreciation	53,488	5,734	-	59,222
Interest	12,679	12	-	12,691
Other	8,168	41,165	2,950	52,283
Donated services	38,923	650	-	39,573
Donated materials	140,334	930	-	141,264
Donated facilities	123,442	-	-	123,442
Allocation of indirect costs	334,149	(334,480)	331	-
	<u>3,670,689</u>	<u>35,043</u>	<u>3,281</u>	<u>3,709,013</u>
Total Expenses	\$ 3,670,689	\$ 35,043	\$ 3,281	\$ 3,709,013

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

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010

Cash Flows From Operating Activities:

Change in net assets	\$ (72,463)
Adjustments to reconcile change in net assets to net cash provided by operating activities -	
Depreciation	59,222
Loss on disposal of assets	2,499
Realized gain on investment	(908)
Changes in operating assets and liabilities -	
Accounts receivable	(46,437)
Prepaid expenses	20,394
Security deposits	(3,092)
Accounts payable	7,065
Accrued expenses	16,042
Refundable advances	211,390
Net cash provided by operating activities	193,712

Cash Flows From Investing Activities:

Proceeds from redemption of certificates of deposit	245,703
Purchase of investments	(250,949)
Purchases of property and equipment	(9,170)
Net cash used in investing activities	(14,416)

Net Increase in Cash 179,296

Cash at July 1, 2009 400,090

Cash at June 30, 2010 \$ 579,386

Supplemental Disclosures of Cash Flow Information:

Cash paid for interest	\$ 12,691
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The accompanying notes are an integral part of these financial statements.

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Northwest Florida Comprehensive Services for Children, Inc. ("Families Count") was organized as a not-for-profit corporation under the laws of the State of Florida in 1983 to provide services and education for abused and neglected children and their families in Escambia, Santa Rosa, Okaloosa, Walton, and Bay counties.

Families Count is primarily funded by support from federal and state agencies and does not receive significant contributions from the general public nor does it engage in substantial fund-raising activities.

Basis of Accounting:

The financial statements of Families Count have been prepared using the accrual basis of accounting which recognizes revenue when earned and expenses as incurred, and may involve the use of management estimates. Federal, state and public grants are recorded as support when performance occurs under the terms of the grant or contractual agreement. Grant monies received for which performance has not yet occurred are recorded as refundable advances.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation:

The accompanying financial statements are presented in accordance with Accounting Standards Codification ("ASC") No. 958, *Not-for-Profit Entities*. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Families Count and changes therein are classified and reported as follows:

- *Permanently restricted net assets* are subject to donor-imposed stipulations that the assets be maintained permanently, but permit Families Count to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. Families Count had no permanently restricted net assets at June 30, 2010.

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued):

- *Temporarily restricted net assets* are subject to donor-imposed stipulations that can be fulfilled by actions of Families Count pursuant to those stipulations or that expire by the passage of time. Families Count had no temporarily restricted net assets at June 30, 2010.
- *Unrestricted net assets* are not subject to donor-imposed stipulations, or the donor-imposed restrictions have expired. Unrestricted net assets may be designated for specific purposes by the action of the Board of Directors, or may otherwise be limited by contractual agreements with outside parties.

Contributions:

Families Count records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Non-cash contributions are recorded at fair market value at the time of donation.

In-Kind Contributions:

Families Count records various types of in-kind support including contributed facilities, professional services and materials. Donated building space is recorded at the fair rental value of comparable space. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. All contributions are considered to be available for unrestricted use, unless specifically restricted by donors, and are treated as in-kind support for purposes of meeting grantor matching requirements. The amounts reflected in the accompanying financial statements as in-kind support are offset by amounts included in expenses, unless the nature of the asset requires capitalization in the property and equipment accounts.

Cash Equivalents:

Families Count considers all highly liquid investments available for use with an original maturity of three months or less to be cash equivalents.

Investments:

Investments consist of certificates of deposit that mature within one to three years of purchase and an investment in an endowment mutual fund. All investments are stated at fair value. Investment income, including gains and losses, is reflected in the Statement of Activities.

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts:

Accounts receivable consists primarily of amounts due from state and local agencies and other grantors for services performed under unit of service and reimbursement contracts. Amounts are recorded as receivables once invoiced. Invoices are typically due within thirty days of receipt. Historically, differences between amounts invoiced and collected have been insignificant. Accordingly, no provision is made for uncollectible amounts.

Property and Equipment:

Property and equipment are recorded at cost, except for donated assets which are recorded at estimated fair market value at the date of contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvements	10-40 years
Furniture, fixtures and equipment	3-7 years

Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Allocated Expenses:

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program on the basis of time records. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. General and administrative expenses are allocated to the various programs based on historical percentages developed by Families Count or predetermined rates established in contracts with funding agencies.

Income Taxes:

Families Count is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes is required in the financial statements.

Subsequent Events:

Management has evaluated subsequent events through February 11, 2011, the date which the financial statements were available for issue.

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 - ACCOUNTS RECEIVABLE

At June 30, 2010 amounts due from grantor and other contracting agencies were as follows:

State of Florida -	
Department of Health	\$ 84,613
Department of Children and Families	72,910
Office of the Attorney General	54,746
Lakeview Center, Inc.	64,929
Third-party receivables	23,110
Other receivables	<u>14,076</u>
	<u>\$ 314,384</u>

NOTE 3 - INVESTMENTS

Investments include certificates of deposit which have a total market value of \$335,344, earn interest at a rate of 2.03%, and mature through April 2011. The board of directors has designated \$250,000 of these certificates of deposit to fund payments of the mortgage described in Note 6.

Families Count has also invested in the Greater Escambia County Foundation (a community foundation), which has established an endowment for the benefit of Families Count. This investment has a market value of \$8,733 as of June 30, 2010. A realized gain of \$908 is included in the Statement of Activities.

NOTE 4 - FAIR VALUE MEASUREMENTS

Families Count has adopted ASC No. 820, *Fair Value Measurements and Disclosures*, which establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring the use of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance also establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. This guidance does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs that may be used to measure fair value:

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets that the organization has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for financial instruments measured at fair value:

Mutual funds: Mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Certificates of deposit: Certificates of deposit are classified as Level 2 as their values are determined by the bank holding the certificate of deposit, which are derived principally from or corroborated by observable market data.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Families Count believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the financial instruments carried at fair value as of June 30, 2010 reported in investments on the Statement of Financial Position and by ASC 820 valuation hierarchy (as described above).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 8,733	\$ -	\$ -	\$ 8,733
Certificates of deposit	-	335,344	-	335,344
Total investments at fair value	<u>\$ 8,733</u>	<u>\$ 335,344</u>	<u>\$ -</u>	<u>\$ 344,077</u>

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 - PROPERTY AND EQUIPMENT

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

Land	\$ 51,587
Building	374,515
Furniture and equipment	<u>306,743</u>
	732,845
Less accumulated depreciation	<u>272,594</u>
	<u>\$ 460,251</u>

Depreciation expense for the year ended June 30, 2010 was \$59,222.

Title to equipment costing in excess of \$1,000 and purchased with funds from the State of Florida vests with the State of Florida upon completion or termination of the contract. Disposal of such property requires the State of Florida's permission.

NOTE 6 - NOTE PAYABLE

Note payable consists of a mortgage to Coastal Bank and Trust for \$250,000 at an interest rate of 5.0%. Interest only payments are due monthly with the principal balance due March 20, 2011. The mortgage is collateralized by the real property for which the mortgage was issued.

NOTE 7 - FRINGE BENEFITS

Families Count does not have a paid health benefits program for its employees. In lieu of these benefits, employees are paid an additional amount at the rate of 15% of their base pay. This expense is included in salaries expense. Families Count offers a 401(k) plan to its employees through the professional employment organization from which Families Count leases its employees. Families Count does not make contributions to the plan on behalf of its employees.

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Lease Commitments:

Families Count leases office space under operating leases expiring at various dates through 2013. Families Count also leases office equipment under operating leases expiring through 2013.

The minimum rental commitments under these leases are as follows:

<u>Year ending June 30,</u>		
1900	\$	73,981
1900		50,974
1900		<u>34,335</u>
	<u>\$</u>	<u>159,290</u>

Rental expense for all operating leases for the year ended June 30, 2010 was \$157,972.

Contingencies:

Families Count provides services and education for abused and neglected children and their families in the Northwest Florida community. These services are funded primarily with federal and state grants. Families Count's ability to continue to provide such services is dependent on continued funding from these sources.

Grants require the fulfillment of certain conditions as set forth in the grant agreement. Failure to fulfill the conditions could result in the return of funds to grantors. Although that is a possibility, the Board deems the contingency remote, since the terms of the grant has structured the objectives of Families Count to meet the provisions of the grants.

Litigation:

Families Count is party to various legal actions in connection with its normal business activities, the aggregate effect of which, in management's and legal counsel's opinion, would not be significant to Families Count's financial condition or results of operations. Management has recorded necessary reserves and believes it has adequate insurance coverage or has meritorious defenses for these claims and contingencies.

Concentration of Credit Risk - Revenue and Support Sources:

Approximately 95% of Families Count grant and contract support is provided through agreements with the State of Florida, Department of Health and the State of Florida, Department of Children and Families.

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

Concentration of Credit Risk - Uninsured Cash Balances:

Families Count's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Also, unlimited coverage is now temporarily provided for non-interest bearing transaction accounts at financial institutions participating in FDIC's Transaction Account Guarantee Program. At June 30, 2010, Families Count's collected cash balances, including certificates of deposit, in excess of insured limits amounted to approximately \$725,000.

NOTE 9 - SUPPORT FROM STATE OF FLORIDA REQUIRING MATCH

Families Count received a substantial portion of its support from the State of Florida, under grant contracts that require matching contributions. Families Count met the applicable matching requirements under these contracts.

SUPPLEMENTARY INFORMATION

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2010

Federal/State Grantor Pass-through Grantor Federal Program/State Project Title	CFDA/ CSFA Number	Contract Number	Expenditures	State Matching Expenditures	Total Expenditures
<u>U.S. Department of Health and Human Services</u>					
Passed through State of Florida, Department of Health					
Social Services Block Grant	93.667	CPU-1X	\$ 236,812	\$ -	\$ 236,812
Passed through State of Florida, Department of Children and Families,					
Lakeview Center, Inc.					
Promoting Safe and Stable Families	93.556	08-506	367,772	122,591	490,363
Temporary Assistance for Needy Families	93.558	08-506	-	267,839	267,839
Child Abuse Prevention and Treatment Act	93.669	08-506	21,438	-	21,438
Subtotal Lakeview Center, Inc.			<u>389,210</u>	<u>390,430</u>	<u>779,640</u>
Ounce of Prevention Fund of Florida					
Temporary Assistance for Needy Families	93.558	HF-08-09-12	118,829	444,224	563,053
Community-Based Child Abuse Prevention	93.590	HF-08-09-12	11,808	2,952	14,760
Subtotal Ounce of Prevention Fund of Florida			<u>130,637</u>	<u>447,176</u>	<u>577,813</u>
Passed through Florida Healthy Kids Corporation					
Children's Health Insurance Program	93.767	N/A	12,000	-	12,000
Passed through University of South Florida					
Children's Health Insurance Program	93.767	6414-1063-00-C	9,030	-	9,030
Total Department of Health and Human Services			<u>777,689</u>	<u>837,606</u>	<u>1,615,295</u>
<u>U.S. Department of Justice</u>					
Passed through State of Florida, Office of the Attorney General					
Victims of Crime Act	16.575	V8190	39,932	-	39,932
Victims of Crime Act	16.575	V09143	89,473	-	89,473
Victims of Crime Act - ARRA	16.801	ARRA09034	12,888	-	12,888
Total Department of Justice			<u>142,293</u>	<u>-</u>	<u>142,293</u>
<u>U.S. Department of Housing and Urban Development</u>					
Passed through State of Florida, Department of Children and Families					
Homelessness Prevention and Rapid Re-Housing - ARRA	14.257	AFZ36	210,265	-	210,265
<u>U.S. Department of Education</u>					
Passed through State of Florida, Department of Education, Nova Southeastern University					
Voluntary Public School Choice	84.361	331289	15,040	-	15,040
Total Expenditures of Federal Awards			<u>\$ 1,145,287</u>	<u>\$ 837,606</u>	<u>\$ 1,982,893</u>

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2010
(CONTINUED)

Federal/State Grantor Pass-through Grantor Federal Program/State Project Title	CFDA/ CSFA Number	Contract Number	Expenditures	State Matching Expenditures	Total Expenditures
<u>State of Florida, Department of Health</u>					
Medical Services for Abused-Neglected Children	64.006	CPU-1X	\$ 478,235	\$ -	\$ 478,235
Children's Medical Foster Care	64.022	COQKW	286,944	-	286,944
Total State of Florida, Department of Health			765,179	-	765,179
<u>State of Florida, Department of Children and Families</u>					
Out-of-Home Supports	60.074	08-506	29,325	-	29,325
In-Home Supports	60.075	08-506	17,681	-	17,681
Total State of Florida, Department of Children and Families			47,006	-	47,006
Total Expenditures of State Financial Assistance			\$ 812,185	\$ -	\$ 812,185

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2010
(Continued)

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of Families Count, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General of the State of Florida*. Therefore, some amounts presented in this schedule may differ from amounts presented in the basic financial statements.

OTHER REPORTS AND SCHEDULE

Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of Directors
Northwest Florida Comprehensive Services for Children, Inc.
d/b/a Families Count
Pensacola, Florida

We have audited the financial statements of Northwest Florida Comprehensive Services for Children, Inc., d/b/a Families Count ("Families Count") (a not-for-profit organization), as of and for the year ended June 30, 2010, and have issued our report thereon dated February 11, 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 Families Count'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 Families Count's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Families Count'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 preceding paragraph 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 items 2010-1 to 2010-3 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.

To the Board of Directors
Northwest Florida Comprehensive Services for Children, Inc.
d/b/a Families Count

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Families Count's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 Families Count in a separate letter dated February 11, 2011.

This report is intended solely for the information and use of Families Count's management, the 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.



Pensacola, Florida
February 11, 2011

Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of Directors
Northwest Florida Comprehensive Services for Children, Inc.
d/b/a Families Count
Pensacola, Florida

Compliance

We have audited the compliance of Northwest Florida Comprehensive Services for Children, Inc., d/b/a Families Count ("Families Count") (a not-for-profit organization) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Service's State Projects Compliance Supplement*, that could have a direct and material effect on each of Families Count's major federal programs and state project for the year ended June 30, 2010. Families Count's major federal programs and state project 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 project is the responsibility of Families Count's management. Our responsibility is to express an opinion on Families Count'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* 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 Families Count's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Families Count's compliance with those requirements.

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To the Board of Directors
Northwest Florida Comprehensive Services for Children, Inc.
d/b/a Families Count

In our opinion, Families Count complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state project for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Families Count 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 Families Count's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Families Count's internal control over compliance.

A deficiency in internal control over compliance 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, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-4 to 2010-5. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

To the Board of Directors
Northwest Florida Comprehensive Services for Children, Inc.
d/b/a Families Count

This report is intended solely for the information and use of Families Count's management, the 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.

Saltmarsh Crawford & Gend

Pensacola, Florida
February 11, 2011

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
MAJOR FEDERAL PROGRAMS AND STATE PROJECT
YEAR ENDED JUNE 30, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Families Count.
2. Three significant deficiencies in internal control over financial reporting disclosed during the audit of the financial statements as items 2010-1 to 2010-3 are reported in the 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*. The conditions are not reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of Families Count, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Two significant deficiencies relating to the audit of major federal programs and the state project are reported in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General of the State of Florida* as items 2010-4 and 2010-5. The conditions are not reported as material weaknesses.
5. The auditor's report on compliance for the major federal programs and state project for Families Count expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General of the State of Florida* relative to the major federal programs and state project for Families Count are reported in this schedule.
7. The federal programs and state project tested as major programs/project are as follows:

Federal Programs	CFDA No.
U.S. Department of Health and Human Services Promoting Safe and Stable Families	93.556
U.S. Department of Housing and Urban Development Homelessness Prevention and Rapid Re-Housing - American Recovery and Reinvestment Act of 2009 (ARRA)	14.257
 State Project	 CSFA No.
Florida Department of Health Medical Services for Abused-Neglected Children	64.006
8. The threshold for distinguishing Type A and B programs/projects was \$300,000 and \$245,144 for major federal programs and state projects, respectively.
9. Families Count qualified as a low-risk auditee.

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
MAJOR FEDERAL PROGRAMS AND STATE PROJECT
YEAR ENDED JUNE 30, 2010

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Finding Number	Finding
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<u>2010-1</u>	<u>Internal Controls Over Financial Reporting</u>
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During the current year audit, we noted several accounts were not reconciled to supporting reports thereby resulting in misstatements in the financial statements. These misstatements and unreconciled amounts were not initially identified by the entity's internal controls, and adjustments during the audit were required in order to bring the client's financial statements into conformity with generally accepted accounting principles. Examples of these misstatements and unreconciled amounts are:

- Prior period audit adjustments and opening net asset balances were not appropriately recorded.
- Accounts payable records were not reconciled to the general ledger.
- Accrued paid time-off schedule was not reconciled to the general ledger.
- Prepaid expense and prepaid insurance along with insurance expense records were not reconciled to the general ledger.
- The disposition of fixed assets was not properly classified as of year-end.
- Allocation of indirect costs was not properly calculated resulting in an over allocation to program services.

Financial reporting is the responsibility of Families Count. Controls should exist to ensure Management has the ability to properly record and present transactions in conformity with accounting principles generally accepted in the United States of America. External auditors cannot be part of an entity's internal control. Agency personnel have relied on the external audit to record and adjust financial statements in years past. Changes in auditing standards require that this be reported as an internal control deficiency. As a result of the absence of these controls, audit adjustments and/or reconciliations were required before the financial statements could be prepared in accordance with generally accepted accounting principles.

We recommend that accounting personnel with the necessary skills prepare the financial statements according to generally accepted accounting principles to prevent, detect and correct misstatements and missing disclosures therein. We also recommend that Families Count periodically reevaluate controls over financial reporting to ensure material weaknesses do not develop.

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
MAJOR FEDERAL PROGRAMS AND STATE PROJECT
YEAR ENDED JUNE 30, 2010

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Finding Number	Finding
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<u>2010-1</u>	<u>Internal Controls Over Financial Reporting (Continued)</u>
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Management's response:

We consider the \$200 difference in net assets to be immaterial, but will do our best to ensure this doesn't happen in the future.

The fixed asset was donated to another non-profit. So, we removed the asset from our balance sheet and recorded a donation instead of a loss.

Our initial allocation of indirect costs mostly resulted in under charging contracted funding services. Our CFO has recently attended a two day training on Governmental Cost Principles, which included direct and indirect cost allocations. We will ensure that the appropriate calculation is used.

We are implementing new procedures and policies to tighten controls over our financial reporting. We also periodically reevaluate our current controls.

<u>2010-2</u>	<u>Segregation of Duties</u>
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Due to the small size of Families Count's accounting and office staff, there is a lack of segregation of duties in the accounting function. The lack of segregation creates instances in which one individual may perform both custodial and recording functions of certain assets. The basic premise of internal control is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. We noted the following areas in which a lack of segregation of duties existed:

- The Executive Director is responsible for approval of her own reimbursement voucher for travel expenses incurred during the course of business.
- Journal entries, both recurring and non-recurring, are posted by the CFO, but are not authorized or reviewed by an appropriate individual in management.

We suggest that management continue to review its internal control structure and segregate duties among its staff to the greatest extent possible. Individuals outside of accounting can be used to mitigate situations where incompatible duties exist.

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
MAJOR FEDERAL PROGRAMS AND STATE PROJECT
YEAR ENDED JUNE 30, 2010

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Finding Number	Finding
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<u>2010-2</u>	<u>Segregation of Duties (Continued)</u>
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Management's response:

In the fall of 2010, we revised our policies and procedures, and payments to the Executive Director are now approved by either a Program Manager or a Board Member.

We will revise our policies and procedures to include approval for journal entries.

<u>2010-3</u>	<u>Preparation of Schedule of Expenditures of Federal Awards and State Financial Assistance</u>
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Families Count receives a significant amount of revenue from federal and state pass-through grants. The receipt of federal and state grant monies imposes an increased level of responsibility on Families Count to ensure compliance with requirements prescribed by these specific grants. We noted that Families Count was unable to accurately prepare the schedule of expenditures of federal awards and state financial assistance. Although working with the staff we were able to eventually identify all federal and state pass-through awards, and the expenditures related to these awards, grant regulations require that the auditee prepare a schedule that reports all federal and state pass-through awards and the total expenditures for each federal program and state project.

We noted procedures are in place for tracking of grant expenditures by federal program and state project, and reconciliations to accounting records are being performed. However, we recommend Families Count establish procedures to ensure the proper identification of all federal and state pass-through awards received and the requirements applicable to each of the awards.

Management's response:

Our current CFO was recently hired before this Schedule was completed and was unfamiliar with the Schedule of Expenditures. With guidance and direction from the auditors, she was able to prepare the majority of the Schedule. She now has a better understanding of this Schedule and will be able to prepare it correctly.

NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
MAJOR FEDERAL PROGRAMS AND STATE PROJECT
YEAR ENDED JUNE 30, 2010

C. FINDINGS AND QUESTIONED COSTS -
MAJOR FEDERAL AWARD PROGRAMS (Continued)

United States Department of Health and Human Services,
Passed through State of Florida, Department of Children and Families -
Promoting Safe and Stable Families - CFDA 93.556

Finding Number	Finding
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<u>2010-4</u>	<u>Internal Controls Over Compliance - Allowable Activities</u>
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In performing procedures to determine if services performed met allowable activity compliance and control requirements, we noted the following exceptions out of 40 items selected for testing:

- One instance in which the Staff Activity Log did not agree to the summary level data used for calculating the amount to be billed for services.
- Three instances in which the FST - Information and Referral File Checklist did not contain the signature of personnel completing the form or proper documentation of review by appropriate personnel.
- One instance in which the Family Support Team File Checklist In Home Services did not contain proper documentation of review by appropriate personnel.
- One instance in which the Families Count - Re-directing Children's Behavior File Checklist had not been completed.

We recommend that Families Count establish procedures to ensure that the summary level data used for billing services performed agrees with the underlying records, all necessary checklists supporting the services performed have been properly completed and reviewed, and that documentation is maintained for all services performed.

Management's response:

We will change our policies to reflect checks and balances on the system.

**NORTHWEST FLORIDA COMPREHENSIVE SERVICES FOR CHILDREN, INC.
d/b/a FAMILIES COUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
MAJOR FEDERAL PROGRAMS AND STATE PROJECT
YEAR ENDED JUNE 30, 2010**

**D. FINDINGS AND QUESTIONED COSTS -
MAJOR STATE PROJECT**

State of Florida, Department of Health,
Child Protection Team - CSFA 64.006

Finding Number	Finding
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<u>2010-5</u>	<u>Internal Controls Over Compliance - Allowable Costs</u>
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In performing procedures to determine if other direct expenses met allowable cost compliance requirements, we noted one instance out of 25 items tested in which internal control procedures were not applied or followed according to established policy. In the instance, appropriate and authorized supporting documentation for an expenditure made could not be located.

In addition, we noted three instances out of 25 items tested, where the support did not agree to the monthly amount being charged to each program.

It is important that established internal controls over compliance policies be followed to ensure that only allowable expenditures in the proper increments are made and to avoid an opportunity for misappropriation.

We recommend that Families Count ensure that disbursements are made only when appropriate and authorized documentation, not estimated or budgeted amounts, is presented for payment or reimbursement, and that documentation is filed as support for the disbursements.

Management's response:

We will ensure that proper support/documentation is provided for all expenditures. New procedures were put into place to address this issue in November 2010.

We will enhance our policies and procedures to ensure that prepaid insurance is reconciled on a timely basis.

E. OTHER ISSUES

No Summary Schedule of Prior Audit Findings (OMB Circular A-133 and Rules of the Auditor General, Section 10.654(1)(i) and 10.656(3)(d)5.) is required because there were no prior audit findings related to Federal programs and State projects.

MANAGEMENT LETTER

To the Board of Directors
Northwest Florida Comprehensive Services for Children, Inc.
d/b/a Families Count
Pensacola, Florida

We have audited the financial statements of Northwest Florida Comprehensive Services for Children, Inc., d/b/a Families Count ("Families Count") (a not-for-profit organization), as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated February 11, 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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 11, 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 of the State of Florida*, 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, (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, the following matters are required to be disclosed:

To the Board of Directors
Northwest Florida Comprehensive Services for Children, Inc.
d/b/a Families Count

State of Florida, Department of Health Monitoring

Auditor's Comment:

During our audit, we noted correspondence dated December 14, 2010 from the Florida Department of Health ("the Department") related to the results from administrative monitoring of Families Count. The Department required that payment be made by Families Count to reimburse the Department for grant funds used for expenses related to a Families Count employee that was charged to the program when the employee was not working under the program. The Department indicated this amounted totaled \$6,397 for the period in question beginning October 23, 2009 through December 28, 2009.

Additionally, per review of correspondence dated December 6, 2010, the Department questioned additional costs totaling approximately \$1,899 for travel expenditures, cell phone reimbursement, rent and certain supplies that were not allowed under the contract. Families Count has disputed charges totaling \$877 included in this assessment, but agrees that the remaining \$1,022 should be refunded to the Department.

We proposed audit adjustments to accrue the above amounts owed back to the Department which management has accepted. We did not duplicate the testing performed by the Department during our audit. The results of our testing have previously been reported in Schedule of Findings and Questioned Costs. However, we acknowledge the findings of the Department and recommend Families Count enhance its internal controls to ensure that expenditures charged to the Department's contracts are in accordance with the terms of the contracts and all applicable laws, rules and regulations.

Management's response:

The employee in question was in transition from one program to another and it was our understanding that the Medical Director approved the funding to pay the salary during the transition. We have returned the Department of Health funds for the salary in question and paid for the salary from non-Federal funds.

We have changed our policy and procedures to correctly account for these expenditures. As required, any costs determined to be unallowable will be paid back to the Department with non-Federal funds.

Donated Services

Auditor's Comment:

During our audit, we noted that management records in the accounting records the fair value of donated services for volunteer time spent in areas such as teaching and helping with classes, meeting with participants, and helping to run programs. In accordance with generally accepted accounting principles ("GAAP"), volunteer services shall be reported as contribution revenue and as assets or expenses if the services received meet one of the following criteria:

To the Board of Directors
Northwest Florida Comprehensive Services for Children, Inc.
d/b/a Families Count

- They create or enhance nonfinancial assets.
- They require specialized skills; are provided by individuals possessing those skills; and would typically need to be purchased if not provided by donation.

Nonprofit organizations often rely on volunteers to provide routine services; for example, shelter for battered women may use volunteers to assist with child care and operate a telephone hotline. Since those services neither create nor enhance a nonfinancial asset, nor require specialized skills, their value should not be recognized in accordance with GAAP. We recommend that management further review their reporting of donated services to more accurately reflect those amounts that should be reported in accordance with the above guidance, and those routine services that should not be reported, but rather only be disclosed.

Management's response:

The volunteers reported as donated services meet the GAAP requirements, since they are mostly interns and we would pay for their services if they were not fulfilling an educational requirement.

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 Families Count's management, the Board of Directors, federal and state awarding agencies and pass-through entities, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than those specified parties.



Pensacola, Florida
February 11, 2011