

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

FINANCIAL REPORT

JUNE 30, 2010

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SMOAK, DAVIS & NIXON LLP

CERTIFIED PUBLIC ACCOUNTANTS

5011 GATE PARKWAY

BUILDING 100, SUITE 300

JACKSONVILLE, FLORIDA 32256-0562

R. LAVON BURNAM, C.P.A.
JEFFREY L. SHELTON, C.P.A.
EDWARD P. SCHMITZER, C.P.A., P.A.
CALVIN K. STEPHENS, C.P.A., P.A.
ROBERT T. LOVERICH, C.P.A., P.A.

(904) 396-5831
(904) 399-8985 FAX
WWW.SDNLFP.COM

PAUL R. SMOAK, C.P.A.
(1889-1965)
JEWELL A. DAVIS, C.P.A.
(1897-1982)
FRANCIS C. NIXON, C.P.A.
(1907-1980)

To the Board Directors
PACE Center for Girls, Inc.,
and Related Entities

Independent Auditor's Report

We have audited the accompanying combined statements of financial position of PACE Center for Girls, Inc. (a nonprofit organization) and its related entities (See Note 1) as of June 30, 2010 and 2009, and the related combined statements of activities, functional expenses, and cash flows for the years then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of PACE Center for Girls, Inc. and its related entities as of June 30, 2010 and 2009 and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report

(Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2010, on our consideration of PACE Center for Girls, Inc. and its related entities' internal control over financial reporting and our tests of their 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 audits were conducted for the purpose of forming an opinion on the basic combined financial statements of PACE Center for Girls, Inc. and its related entities taken as a whole. The accompanying schedule of expenditures of financial awards and schedule of findings and questioned costs, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the Auditor General, schedule of source and expenditure of city grant funds, notes to the schedule of source and expenditures of city grant funds, and combining statements of financial position, activities, and cash flows are presented for the purpose of additional analysis and are not a required part of the basic combined 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 audits of the basic combined 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Smoak, Davis & Nixon LLP

October 22, 2010

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES
Combined Statements of Financial Position
June 30, 2010 and 2009

	2010	2009
ASSETS		
Current Assets:		
Cash and cash equivalents	5,313,157	5,211,751
Grants receivable	1,808,310	1,923,683
Pledges receivable, current portion	712,410	648,538
Prepaid expenses and other assets	320,801	393,741
Total Current Assets	8,154,678	8,177,713
Investments	3,075,227	2,978,968
Pledges receivable, long-term portion	616,660	624,722
Land, building and equipment, net	9,909,298	9,833,620
Total Assets	21,755,863	21,615,023
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	1,627,514	1,664,307
Deferred revenue	44,226	45,048
Notes payable, current portion	229,146	203,168
Total Current Liabilities	1,900,886	1,912,523
Notes payable, long-term portion	1,040,407	758,510
Total Liabilities	2,941,293	2,671,033
Net Assets:		
Unrestricted	15,650,145	16,123,224
Temporarily restricted	3,164,425	2,820,766
Total Net Assets	18,814,570	18,943,990
Total Liabilities and Net Assets	21,755,863	21,615,023

The Notes to Combined Financial Statements are an integral part of these statements.

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

Combined Statements of Activities
Years Ended June 30, 2010 and 2009

	2010	2009
CHANGES IN UNRESTRICTED NET ASSETS:		
Unrestricted Revenues, Gains and Other Support:		
Public grants - school board	5,755,882	5,942,451
Public grants - DJJ	10,915,829	10,915,480
Public grants - other	1,921,058	1,493,410
Contributions	2,067,824	1,855,963
In-kind contributions	323,619	187,507
Special events and other	543,591	543,113
Consulting		1,719
Interest income	9,406	54,336
Other income	6,756	3,961
Net assets released from restrictions	1,505,128	1,256,778
Total Unrestricted Revenues, Gains and Other Support	<u>23,049,093</u>	<u>22,254,718</u>
Expenses and Losses:		
Program services	20,684,920	19,361,140
Management and general	1,282,526	1,619,964
Fundraising	1,554,726	1,296,422
Total Expenses and Losses	<u>23,522,172</u>	<u>22,277,526</u>
Increase (decrease) in unrestricted net assets	<u>(473,079)</u>	<u>(22,808)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Restricted Revenues, Gains and Other Support:		
Private grants	1,335,369	1,137,435
Contributions	331,411	79,347
In-kind contributions	154,992	
Interest income	25,512	22,657
Special events and other	1,425	2,455
Other income	78	76
Net assets released from restrictions	(1,505,128)	(1,256,778)
Increase (decrease) in temporarily restricted net assets	<u>343,659</u>	<u>(14,808)</u>
Increase (decrease) in total net assets	<u>(129,420)</u>	<u>(37,616)</u>
Net assets, beginning of year	<u>18,943,990</u>	<u>18,981,606</u>
Net assets, end of year	<u><u>18,814,570</u></u>	<u><u>18,943,990</u></u>

The Notes to Combined Financial Statements are an integral part of these statements.

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

Combined Statements of Functional Expense

Year Ended June 30, 2010

	Program Services	Management and General	Fundraising	Total
Salaries	11,210,050	831,036	684,252	12,725,338
Payroll taxes and employee benefits	2,357,726	170,967	129,708	2,658,401
Employee training and recruiting	270,680	14,038	28,413	313,131
Therapists and other contracted personnel	72,862	29,026	6,715	108,603
Total Personnel	13,911,318	1,045,067	849,088	15,805,473
Occupancy	2,229,622	118,852	11,735	2,360,209
Equipment	298,661	22,387	15,207	336,255
Vehicle	179,077			179,077
Insurance	139,961	2,985		142,946
Professional fees	317,689	112,033	29,354	459,076
Materials and supplies	202,375	19,152	17,067	238,594
Trustees expenses			24,376	24,376
Outreach and public education	5,571	566	33,112	39,249
Student costs	1,026,043		3,746	1,029,789
Program travel	176,554	19,854	7,618	204,026
Special events	1,158	380	325,360	326,898
Depreciation	818,717			818,717
Interest	103,520			103,520
Other	1,274,654	(58,750)	238,063	1,453,967
Total Expenses and Losses	20,684,920	1,282,526	1,554,726	23,522,172

The Notes to Combined Financial Statements are an integral part of this statement.

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

Combined Statements of Functional Expense

Year Ended June 30, 2009

	Program Services	Management and General	Fundraising	Total
Salaries	11,220,247	938,748	525,214	12,684,209
Payroll taxes and employee benefits	2,340,334	170,430	92,258	2,603,022
Employee training and recruiting	251,763	21,938	6,047	279,748
Therapists and other contracted personnel	67,192	47,818	2,338	117,348
Total Personnel	13,879,536	1,178,934	625,857	15,684,327
Occupancy	2,226,476	119,552	7,531	2,353,559
Equipment	346,513	15,916	12,701	375,130
Vehicle	163,229		159	163,388
Insurance	137,418	3,432		140,850
Professional fees	142,742	110,012	30,250	283,004
Materials and supplies	225,551	19,364	5,849	250,764
Trustees expenses			17,011	17,011
Outreach and public education	1,122		39,990	41,112
Student costs	999,083		1,742	1,000,825
Program travel	126,620	18,661	2,375	147,656
Special events	11,731		225,079	236,810
Depreciation	844,060			844,060
Interest	89,306			89,306
Other	167,753	154,093	327,878	649,724
Total Expenses and Losses	19,361,140	1,619,964	1,296,422	22,277,526

The Notes to Combined Financial Statements are an integral part of this statement.

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

Combined Statements of Cash Flows

Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(129,420)	(37,616)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	818,717	844,060
(Gain) loss on disposal of equipment	2,219	(480)
Unrealized (gain) loss on investments	(60,242)	47,953
Realized (gain) loss on investments		108,150
Forgiveness of long-term debt	(155,123)	(142,525)
Grants receivable	115,373	(116,685)
Pledges receivable	(55,810)	343,689
Prepaid expenses and other assets	72,940	(100,927)
Accounts payable and accrued expenses	(36,793)	120,688
Deferred revenue	(822)	(17,454)
Net cash provided by operating activities	<u>571,039</u>	<u>1,048,853</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	4,431,273	5,369,359
Purchases of investments	(4,467,290)	(5,438,199)
Purchases of property and equipment	(896,614)	(159,094)
Proceeds from disposal of property		2,800
Net cash used in investing activities	<u>(932,631)</u>	<u>(225,134)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt issuance	518,227	
Principal repayments of long-term debt	(55,229)	(90,271)
Net cash provided by (used in) financing activities	<u>462,998</u>	<u>(90,271)</u>
Net change in cash and cash equivalents	101,406	733,448
Cash and cash equivalents, beginning of year	<u>5,211,751</u>	<u>4,478,303</u>
Cash and cash equivalents, end of year	<u><u>5,313,157</u></u>	<u><u>5,211,751</u></u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INFORMATION		
Cash paid for interest	55,946	32,016

The Notes to Combined Financial Statements are an integral part of these statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities:

PACE Center for Girls, Inc. (PACE) is a private not-for-profit organization incorporated under the laws of the State of Florida in 1984. PACE is a non-residential, community-based program established to educate, rehabilitate, and otherwise serve adolescent females between the ages of 9 and 18. PACE operates in the counties of Duval, Manatee, Orange, Broward, Lee, Leon, Escambia, Flagler, Volusia, Palm Beach, Pinellas, Monroe, Pasco, Alachua, Collier, Hillsborough, Polk, Marion and St. Lucie, Florida.

PACE-THC, Inc. (PACE-THC) is an affiliated not-for-profit organization incorporated in 1995. Its purpose is to hold title to property to be used exclusively for educational, literary, scientific or charitable purposes, to collect income therefrom, and to turn over the entire amount thereof, less expenses, to the Organization.

PACE BROWARD-THC, Inc. (PACE BROWARD-THC) is an affiliated not-for-profit organization incorporated in 2001. Its purpose is to hold title to property in Broward County to be used exclusively for educational, literary, scientific or charitable purposes, to collect income therefrom, and to turn over the entire amount thereof, less expenses, to the Organization.

PACE COLLIER-THC, Inc. (PACE COLLIER-THC) is an affiliated not-for-profit organization incorporated in 2006. Its purpose is to hold title to property in Collier County to be used exclusively for educational, literary, scientific or charitable purposes, to collect income therefrom, and to turn over the entire amount thereof, less expenses, to the Organization.

PACE ALACHUA-THC, Inc. (PACE ALACHUA-THC) is an affiliated not-for-profit organization incorporated in 2009. Its purpose is to hold title to property in Alachua County to be used exclusively for educational, literary, scientific or charitable purposes, to collect income therefrom, and to turn over the entire amount thereof, less expenses, to the Organization.

Basis of Presentation:

The combined statements of PACE Center for Girls, Inc, include the accounts and activities of PACE, PACE-THC, PACE BROWARD-THC, PACE COLLIER-THC, and PACE ALACHUA-THC collectively referred herein as "PACE Center for Girls, Inc." PACE-THC, PACE BROWARD-THC, PACE COLLIER-THC and PACE ALACHUA-THC provide financial and other support services and programs to PACE. All significant intercompany accounts and transactions have been eliminated.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. (Continued)

Financial Statement Presentation:

In accordance with generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

- Unrestricted net assets are free of donor imposed restrictions; all revenues, expenses, gains, and losses that are not changes in temporarily or permanently restricted net assets. Unrestricted net assets include assets available for education and general activities, which account for all the income and expenses of normal operations. Unrestricted net assets also includes land, land improvements, buildings and equipment.
- Temporarily restricted net assets include gifts for which donor imposed restrictions have not been met and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.
- Permanently restricted net assets include gifts and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Cash and Cash Equivalents:

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

Pledges:

Unconditional promises to give are recorded as pledges receivables and contribution revenue when received. All pledges are recorded at net realizable value. Conditional promises to give are not included as support until the conditions are substantially met. Amounts included in pledge receivables recorded into revenue during 2010 and 2009 were \$661,350 and \$429,100, respectively.

Investments:

In accordance with generally accepted accounting principles, investments are stated at fair market value based on quoted market prices. The net unrealized increase or decrease in market value is recognized in the accompanying statements of changes in net assets.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. (Continued)

Land, Building and Equipment:

Land, building and equipment is recorded at historical cost, or fair market value at date of donation. Land, building and equipment purchased in excess of \$1,000 is capitalized. Depreciation is computed using the straight-line method over the useful lives of the related assets. Leasehold improvements are amortized over their estimated useful lives, which do not exceed the related lease terms, using the straight-line method. The estimated useful lives are as follows:

Buildings	20 years
Furniture and equipment	3-5 years
Automobiles	5 years
Leasehold improvements	5-20 years

Periodically, management reviews land, building and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is measured by comparing the carrying amount of the asset to the sum of expected future cash flows (undiscounted and without interest charges) resulting from the use of the asset and its eventual disposition.

Restricted and Unrestricted Revenue and Support:

In accordance with generally accepted accounting principles, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (this is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributions Received In-Kind:

The Organization occupies, without charge or for nominal charges, certain facilities used for its program services. In addition the Organization receives in-kind student costs, supplies and other expenses. The estimated fair value of donated rent, student costs, supplies and other expenses are reported in the accompanying combined financial statements at the date of receipt.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. (Continued)

Public Grants:

Public grants from government agencies are recorded based on the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs or units of service of the specific grant provisions have been incurred or provided. Such revenue is subject to audit by the grantor and, if the examination results in a non-allowance of units of service or expenses, the Organization will be required to reimburse any overpayments.

Income Taxes:

PACE is a private not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code. PACE-THC, PACE BROWARD-THC, PACE COLLIER-THC, and PACE ALACHUA-THC are private not-for-profit corporations as described in Section 501(c)(2). As such, all will be exempt from federal and state income taxes on related income pursuant to Section 401(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively.

The Organizations apply generally accepted accounting principles related to income tax uncertainties, which it adopted on July 1, 2009. The Organizations have determined that there were no unrecognized tax benefits for the years ended June 30, 2010 and 2009. The Organizations file income taxes in the U.S. federal and state jurisdictions. Tax years that remain subject to examination by major tax jurisdictions are 2007 and forward.

Functional Expense Allocation:

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

Subsequent events:

The Organization applies generally accepted accounting principles related to disclosure requirements for events that occur subsequent to the balance sheet date but before the organization's financial statements are issued. The Organization has evaluated events that have occurred subsequent to June 30, 2010

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. (Continued)

Concentration of Credit Risk:

The Organization's financial instruments that are exposed to concentration of credit risk consists primarily of cash and cash equivalents and investments. The Organization places its cash and cash equivalents and investments with high credit quality institutions. At times such investments may be in excess of the FDIC insurance or SIPC insurance limits. Amounts in excess of insured limits were approximately \$5,019,513 and \$5,053,397 at June 30, 2010 and 2009, respectively.

Financial Statement Estimates:

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

Note 2. Pledges Receivable

Pledges receivable are comprised of unconditional promises to give with collection periods through June 30, 2020. Pledges are recorded after discounting to the present value of future cash flows, using a risk free interest rate of 4%. At June 30, 2010 and 2009, pledges receivable are as follows:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	762,836	694,589
Receivable in one to five years	698,710	696,541
Receivable in more than five years	<u>11,600</u>	<u>20,200</u>
	1,473,146	1,411,330
Less discounts to net present value	(50,002)	(47,659)
Less allowance for doubtful accounts	<u>(94,074)</u>	<u>(90,411)</u>
Net pledges receivable	<u><u>1,329,070</u></u>	<u><u>1,273,260</u></u>

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Investments

The market value, cost and net unrealized gains(losses) of investments are as follows:

	2010		
	Market Value	Cost	Net Unrealized Losses
Brokered Certificates of Deposit	903,000	903,000	0
Bank Certificates of Deposit	1,666,853	1,666,853	0
Mutual Funds	505,374	586,175	(80,801)
	<u>3,075,227</u>	<u>3,156,028</u>	<u>(80,801)</u>
	2009		
	Market Value	Cost	Net Unrealized Losses
Brokered Certificates of Deposit	899,000	899,000	0
Bank Certificates of Deposit	1,643,122	1,643,122	0
Mutual Funds	436,846	577,889	(141,043)
	<u>2,978,968</u>	<u>3,120,011</u>	<u>(141,043)</u>

Net unrealized gains (losses) on investments were \$60,242 and (\$47,953) for the years ended June 30, 2010 and 2009, respectively. Face amount of securities plus stated interest will be received upon maturity for certificates of deposit.

Note 4. Land, Building and Equipment

Major classes of land, building and equipment and accumulated depreciation are as follows:

	2010	2009
Land	1,630,062	1,527,162
Building	10,718,454	10,321,354
Furniture and equipment	1,381,570	1,426,711
Automotive equipment	762,444	736,414
Leasehold improvements	1,032,172	1,034,402
Construction in Progress	268,130	19,838
	<u>15,792,832</u>	<u>15,065,881</u>
Less accumulated depreciation	(5,883,534)	(5,232,261)
Total	<u>9,909,298</u>	<u>9,833,620</u>

Depreciation expense for the years ended June 30, 2010 and 2009 was approximately \$818,717 and \$844,060, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. Notes Payable

Notes payable consist of the following:

	2010	2009
<p>Note payable (PACE) consists of a total of two vehicle contracts. One vehicle is financed with Nissan Motor Corporation dated May 2006; monthly payments of \$434, including 0.00% interest with maturity dates of April 2011. One vehicle is financed with Bank of Naples dated September 2009; monthly payments of \$433, including 6.5% interest with a maturity date of August 2013.</p>	19,593	9,993
<p>Note payable (PACE-THC) dated December 12, 2007, with a bank for the Organization's Manatee facility. Monthly payments of \$2,865 including interest at the bank's index rate plus 1.82% (6.61% at June 30, 2010) with a maturity date of December 12, 2017. The note is subject to various financial covenants, which the Organization was in compliance with at June 30, 2010.</p>	202,200	222,292
<p>Note payable (PACE BROWARD-THC) dated June 5, 2001, with the Department of Juvenile Justice for the Organization's Broward facility. The loan has imputed interest at 8.5% and will be forgiven over a ten year period beginning July 1, 2002. The note is subject to various financial covenants, which the Organization was in compliance with at June 30, 2010.</p>	352,591	507,714
<p>Note payable (PACE ALACHUA-THC) dated September 1, 2009, with an individual for the Organization's Alachua facility. Monthly payments are \$3,326. The loan has a 7% interest rate and matures on September 1, 2039.</p>	496,229	0

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. (Continued)

Note payable (PACE COLLIER-THC) dated February 23, 2007 with a bank for the Organization's Collier facility. Payments of interest at 6.8% are due through January 1, 2008, and then monthly payments of \$3,110, including principal and interest, begin March 1, 2008 with a maturity date of February 1, 2017. The note is secured by the land, building and its contents. The note is subject to various financial covenants, which the Organization was in compliance with at June 30, 2010.

	198,940	221,679
	1,269,553	961,678
Less current portion	229,146	203,168
	1,040,407	758,510

Aggregate principal payments and loan forgiveness on long-term debt in the succeeding years are as follows:

Year ended June 30, 2011	229,146
2012	243,135
2013	63,611
2014	63,639
2015	67,201
Thereafter	602,821
	1,269,553

Note 6. Lease Commitments

The Organization generally leases its facilities under long-term operating leases, which range from one to ten years. In addition, certain facilities are leased for nominal rent for which the Organization has recorded in-kind contributions and rental expense based upon management's estimate of fair rent. The following is a summary of building rental expenses for the years ended June 30, 2010 and 2009:

	2010	2009
Rent based upon lease terms	1,151,341	1,171,157
In-kind contributions	66,503	66,503
Total rental expense	1,217,844	1,237,660

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6. (Continued)

In addition, the Organization leases various office equipment ranging from \$112 to \$887 per month, expiring in various years through 2015.

Under the terms of all these non-cancelable operating leases, the scheduled aggregate minimum lease payments as of June 30, 2010 were as follows:

June 30, 2011	734,107
2012	375,394
2013	295,165
2014	192,722
2015	<u>125,074</u>
	<u><u>1,722,462</u></u>

Note 7. In-Kind Contributions

The following is a summary of in-kind contributions which are recorded as revenue and related expenses in the combined financial statements for the years ended June 30, 2010 and 2009:

	2010	2009
Building rent	66,503	66,503
Capital asset additions	19,680	0
Capital improvements	154,992	0
Equipment	25,684	0
Student costs	46,552	16,673
Special events	161,425	65,783
Office supplies	<u>3,775</u>	<u>38,548</u>
Total	<u><u>478,611</u></u>	<u><u>187,507</u></u>

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets represent cash and pledges received primarily for capital or program specific purposes. As of June 30, 2010 and 2009, temporarily restricted net assets consisted of the following, by center location:

Center	Funding Source	2010	2009
Alachua	Capital Campaign	55,758	60,776
	Confrin/ADC Trust	532	532
	Gainesville Community Foundation	10,000	0
	Gainesville Women's Giving Circle	1,795	5,070
	Gator Exchange	295	1,683
	Student Costs Fund	1,341	1,883

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 8. (Continued)

<u>Center</u>	<u>Funding Source</u>	<u>2010</u>	<u>2009</u>
Broward	Capital Campaign – Building Fund	770,624	702,247
	Community Foundation of Broward	8,000	0
	Health & Wellness	5,281	12,962
	Henderson Foundation	7,649	0
	Life Launch	2,246	2,500
	Moran Scholarship	15,773	17,356
	R&R Library Fund	566	2,437
	Student Costs	83,302	27,180
	United Way	2,173	0
	Women's Executive Club	3,870	6,620
Collier	Breakfast and Books	4,748	4,888
	Capital Campaign	189,138	181,026
	Girls' Special Needs	9,280	4,500
	Graduation Fund	2,535	2,535
	League Club	11,721	11,721
	Martin Foundation	9,622	21,225
	Mimi Foundation	36,115	20,000
	Naples Ed Foundation	76,694	69,154
	PGA	10,110	1,185
	Stranahan	19,126	20,307
	Student Costs	9,528	7,928
	Trinity	3,232	4,500
	Zonta	7,283	7,283
	Escambia-Santa Rosa	Gannett Foundation	3,000
K McMillian		17,627	16,211
Kerrigan		312	552
Kugelman Foundation		5,943	5,186
Student Costs		2,017	1,142
Switzer Scholarship		15,991	8,889
Hillsborough	Wachovia	0	48
	Eckerd Scholarships	2,337	3,174
	Glazer Family Foundation	0	2,224
	Library Fund	427	941
Jacksonville	Student Costs	443	148
	AT&T Pioneer Scholarships	1,000	0
	Capital Campaign – Building Fund	699,689	702,967
	Champion Zone	3,145	3,343
	Cultural Council Greater Jax	847	847
	Hope Foundation	0	596
	Junior League	512	512
	Obesity Program	7,080	3,376
	Pilot Club	750	750
	Straight Talk Health Clinic	118,392	121,433
	Student Costs Fund	16,694	16,452
	Thompson Scholarship	113,611	113,346
	Transition Services	287,037	242,543
	UNF Scholars	1,507	1,507
Lee	United Way	8,534	14,380
	Women's Giving Alliance	23,714	0
	Capital Campaign	136,220	101,483
	Community Foundation	5,739	1,239
	Rotary	625	999
	Student Costs Fund	3,782	6,940
	Transition Services	6,000	6,000
	United Way	7,724	2,731
Zonta	8,318	0	

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 8. (Continued)

Center	Funding Source	2010	2009
Leon	Beatitude	12,500	0
	Buffet Grant	770	770
	Hemanes Foundation	425	425
	Holiday Fund	15	15
	Library Fund	38	38
	Student Costs	1,904	1,754
	United Way	15,803	15,891
Manatee	Edge Honor the Female Spirit	1,386	2,790
	Leach Foundation	746	746
	McRae	958	3,143
	Student Costs Fund	4,079	4,001
	United Way	15,325	0
Marion	CNA Scholarship	500	500
	Student Costs	949	260
Orange	Central FL Women's League	5,283	5,897
	Darden Foundation	856	856
	Student Costs	272	119
	Success	109	109
	VNA Foundation	16,588	10,000
	Women's Resource Center	2,850	0
	Student Costs Fund	18,311	12,581
Palm Beach	United Way	317	5,248
	Community Foundation	1,754	1,854
Pasco	Student Costs Fund	10,860	1,183
	Beth Dillinger Fund	40,939	30,506
Pinellas	Community Foundation	1,704	5,000
	Eckerd #2	62,082	59,881
	Isaly Dairy Scholarship	0	1,600
	Student Costs Fund	0	300
	Community Foundation	50,000	0
Polk	Jenkins Fund	1,007	15,631
	Rotary Foundation	1,920	0
	Student Costs Fund	0	4,737
	Avon Foundation	0	5,713
	Foundation	75	74
State Office	Green Scholarship	0	89
	P Magnone Scholarship Fund	3,890	5,552
	Training	8,000	0
	Williams	4,650	0
	Martin United Way	316	0
Treasure Coast	Student Costs Fund	6,904	15,036
	Capital Campaign	8,821	14,116
Volusia-Flagler	Pilot Club	2,657	5,722
	Student Costs Fund	0	7,402
	United Way	1,508	3,770
	Total Temporary Restricted	<u>3,164,425</u>	<u>2,820,766</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 9. Assets Released from Donor Restrictions

Net Assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	2010	2009
Purpose restrictions accomplished:		
Specific agency programs	1,184,101	1,207,304
Capital improvements (CIP)	265,455	0
Land, building and equipment acquired and placed in service	55,572	49,474
Total restrictions released	1,505,128	1,256,778

Note 10. Employee Benefit Plan

Effective July 1, 1994, the Organization established a defined contribution benefit plan (Plan) in which all qualified employees 18 years of age may participate. The Plan provides for participants' pre-tax contributions to the Plan pursuant to Section 403(b) of the Internal Revenue Code. The Organization may make a discretionary contribution to the Plan in an amount up to 3% of a participant's compensation. The Organization's contribution to the Plan was \$167,071 and \$193,554 for the years ended June 30, 2010 and 2009, respectively.

Note 11. Funding Dependency

A substantial amount of the Organization's support is in the form of annual grants and contracts with federal, state and local governmental agencies, including a substantial amount from the Florida Department of Juvenile Justice (DJJ). This support is partially dependent upon the Organization's continued qualifications for such funding, together with the amount of funds available to the governmental sources. Accordingly, there is no guarantee that such funding will continue. In addition, title to all property and equipment acquired with DJJ funding vests with DJJ upon completion or termination of the related contracts. DJJ property and equipment with a net book value of \$55,543 and \$88,892 at June 30, 2010 and 2009, respectively is included in land, building and equipment on the accompanying combined statements of financial position.

Note 12. Commitments and Contingencies

The Organization is subject to audit examinations by funding sources to determine compliance with grant conditions. In the event the expenditures would be disallowed, repayment could be required. Management does not believe any disallowed expenditures would have a material impact on the financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 12. (Continued)

The Organization is subject to various legal actions and claims arising in the normal course of operations. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. After discussion with counsel, it is the opinion of management that the outcome of such matters will not have a material adverse impact on the combined financial position, results of operations, or cash flows of the Organization.

Note 13. Transfer of Net Assets

During the year ended June 30, 2010, PACE transferred construction in progress to PACE ALACHUA-THC. During the year ended June 30, 2009, no transfers of net assets occurred.

Note 14. Fair Value Measurements

The Organization applies generally accepted accounting principles for fair value measurements of financial assets and liabilities. These accounting principles define fair value and establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Values measured using quoted prices in active markets for identical investments.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The carrying amounts reflected in the combined statements of financial position for cash and cash equivalents, grants receivable, accounts payable, accrued expenses and deferred revenue approximates fair value due to the relative terms and/or short maturity of these financial instruments. In addition, pledge receivables to be realized after one year are recorded at the present value of the estimated future cash flows discounted at an interest rate that reflects risks inherent in those cash flows. Investments are reflected in the accompanying financial statements at fair value. The fair value of notes payable at June 30, 2010 and 2009 approximates carrying value due to the variable and imputed interest rates in effect.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 14. (Continued)

The following is a summary of the levels within the fair value hierarchy for the Organization's assets measured at fair value on a recurring basis as of June 30, 2010 and 2009:

Fair Value Measurements on a Recurring Basis as of June 30, 2010				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments				
Certificates of deposit		2,569,853		2,569,853
Mutual funds	505,374			505,374
Total	<u>505,374</u>	<u>2,569,853</u>	<u>0</u>	<u>3,075,227</u>

Fair Value Measurements on a Recurring Basis as of June 30, 2009				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments				
Certificates of deposit		2,542,122		2,542,122
Mutual funds	436,846			436,846
Total	<u>436,846</u>	<u>2,542,122</u>	<u>0</u>	<u>2,978,968</u>

OTHER FINANCIAL INFORMATION

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
Year Ended June 30, 2010

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	CFDA CSFA Number	Contract Number	Program or Award Amount	Federal Expenditures	State Expenditures	Local Expenditures
FEDERAL PROGRAMS:						
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:						
Passed through the City of Tallahassee						
Department of Community Improvement:						
Community Development Block Grants	14.218	FYE 2009	20,000	6,437		
Community Development Block Grants	14.218	FYE 2010	20,000	16,024		
				<u>22,461</u>	<u>0</u>	<u>0</u>
U.S. DEPARTMENT OF EDUCATION:						
Passed through Alachua county School Board						
Title 1 Grants to Local Educational Agencies	84.010	FYE 2010	12,014	11,013		
Passed through School Board of Broward County						
Title 1 Grants to Local Educational Agencies	84.010	FYE 2010	67,388	50,217		
Passed through District School Board of Collier County						
Title 1 Grants to Local Educational Agencies	84.010	FYE 2010	12,705	6,142		
Passed through School Board of Manatee County						
Title 1 Grants to Local Educational Agencies	84.010	FYE 2010	37,000	37,000		
Passed through Marion County School Board						
Title 1 Grants to Local Educational Agencies	84.010	FYE 2010	29,778	29,778		
Passed through School Board of Volusia County						
Title 1 Grants to Local Educational Agencies	84.010	FYE 2010	33,925	25,892		
Passed through School Board of Leon County						
Title 1 Grants to Local Educational Agencies - In Kind	84.010	FYE 2010	24,999	24,999		
Passed through School Board of Duval County						
Title 1 Grants to Local Educational Agencies	84.010	FYE 2010	449,836	49,836		
				<u>234,877</u>	<u>0</u>	<u>0</u>

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
Year Ended June 30, 2010

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	CFDA CSFA Number	Contract Number	Program or Award Amount	Federal Expenditures	State Expenditures	Local Expenditures
U.S. DEPARTMENT OF EDUCATION:						
Passed through School Board of Lee County ARRA - Title 1 Grants to Local Educational Agencies	84.389	FYE 2010	15,000	15,000		
Passed through School Board of Volusia County ARRA - Title 1 Grants to Local Educational Agencies	84.389	FYE 2010	8,033	8,033		
				<u>23,033</u>	<u>0</u>	<u>0</u>
Passed through School Board of Lee County ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FYE 2010		<u>23,459</u>		
Passed through School Board of Lee County Improving Teacher Quality State Grants	84.367	FYE 2010	22,830	<u>22,830</u>		
Passed through School Board of Broward County Career and Technical Education - Basic Grants to States	84.048	FYE 2010	75,000	55,524		
Career and Technical Education - Basic Grants to States	84.048	FYE 2010		19,476		
				<u>75,000</u>	<u>0</u>	<u>0</u>
U.S. DEPARTMENT OF AGRICULTURE:						
Passed through State Department of Education: ARRA - National School Lunch Program	10.555	01-0374		<u>255,263</u>		
Passed through State Department of Education: Child Nutrition Discretion Grants Limited Availability	10.579	5FL340323	17,735	<u>17,634</u>		
Passed through State Department of Education: ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A90010	6,713	<u>6,711</u>		

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
Year Ended June 30, 2010

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	CFDA CSFA Number	Contract Number	Program or Award Amount	Federal Expenditures	State Expenditures	Local Expenditures
U.S. DEPARTMENT OF JUSTICE:						
Passed through the Office of Juvenile Justice and Delinquency Prevention						
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	2008-JL-FX-0541	643,931	352,775		
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	2009-JL-FX-0122	100,000	37,542		
				<u>390,317</u>	<u>0</u>	<u>0</u>
Passed through City of Jacksonville						
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government	16.804	2010-ARRC-DUVA-6-W7-325	15,000	11,306		
Passed through the Sheriff of Broward County, FL						
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government	16.804	2010-ARRC-214	106,265	55,681		
				<u>66,987</u>	<u>0</u>	<u>0</u>
U.S. DEPARTMENT OF HEALTH and HUMAN SERVICES						
Passed through the State Department of Children and Families						
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2009-2012 DFC-BROW-JD254	52,000	51,999		
U.S. DEPARTMENT OF LABOR						
Passed through State Workforce Florida Inc.						
ARRA - WIA - Adult Program	17.258	WIS09-WIA	97,650	14,001		
Passed through State Workforce Florida Inc.						
ARRA - WIA Youth Activities	17.259	WIS09-WIA	97,650	14,001		
Passed through State Workforce Florida Inc.						
ARRA - WIA - Dislocated Workers	17.260	WIS09-WIA	119,700	17,162		
Total Expenditures of Federal Awards				<u>1,235,735</u>	<u>0</u>	<u>0</u>

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
Year Ended June 30, 2010

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	CFDA CSFA Number	Contract Number	Program or Award Amount	Federal Expenditures	State Expenditures	Local Expenditures
STATE PROJECTS:						
FLORIDA DEPARTMENT OF JUVENILE JUSTICE:						
Practical and Cultural Education (PACE) Center for Girls	80.007	X1451	10,915,829	<u>10,915,829</u>	<u>10,915,829</u>	
FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES:						
Passed through Human Services Associates, Inc. Children's Mental Health Community Support Services	60.055	N/A	7,702	<u>7,702</u>	<u>7,702</u>	
Total Expenditures of State Projects				<u>0</u>	<u>10,923,531</u>	<u>0</u>
GENERAL STATE FUNDING:						
FLORIDA DEPARTMENT OF EDUCATION:						
Passed through County School Boards:						
School District of Palm Beach County		FYE 2010	94% of FTE Revenue		300,663	
School Board of Broward County		FYE 2010	90% of FTE Revenue		691,249	
School District of Volusia County		FYE 2010	95% of FTE Revenue		319,023	
School Board of Escambia County		303116	90% of FTE Revenue		323,599	
School Board of St. Lucie County		FYE 2010	90% of FTE Revenue		266,307	
School Board of Alachua County		FYE 2010	90% of FTE Revenue		247,506	
Duval County School Board		FYE 2010	95% of FTE Revenue		555,954	
School Board of Leon County		FYE 2010	90% of FTE Revenue		342,844	
School Board of Manatee County		FYE 2010	90% of FTE Revenue		320,383	
Orange County Public Schools		FYE 2010	90% of FTE Revenue		322,800	
Pinellas County Schools		FYE 2010	90% of FEFP Funds		288,755	
Pasco County Schools		FYE 2010	85% of FTE Revenue		230,728	
Hillsborough County Schools		FYE 2010	90% of FTE Revenue		276,663	
District School Board of Collier County		10002111	90% of FTE Revenue		358,510	
School Board of Polk County		FYE 2010	90% of FEFP Funds		229,063	
Marion County School Board		32324667	90% of FTE Revenue		355,203	
Lee County School Board		FYE 2010	90% of FTE Revenue		326,632	
				<u>0</u>	<u>5,755,882</u>	<u>0</u>

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
Year Ended June 30, 2010

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	CFDA CSFA Number	Contract Number	Program or Award Amount	Federal Expenditures	State Expenditures	Local Expenditures
Passed through the School Board of Putnam County Web Based Instructional Program		N/A	6,850	6,850		
Total Expenditures of General State Funding				<u>0</u>	<u>5,762,732</u>	<u>0</u>
LOCAL ASSISTANCE:						
Passed through the City of Jacksonville, Florida: Jacksonville Children's Commission		7000-24	203,974			203,832
LOCAL GRANTS:						
Children's Services Council of St. Lucie		N/A 08-09	79,500			23,019
Children's Services Council of St. Lucie		N/A 09-10	79,500			58,912
Children's Services Council of Martin County		N/A 2010	91,552			90,436
St. Lucie County Board of Commissioners		C10-01-023	5,000			5,000
Manatee Board of County Commissioners		CA32.1 (08-09)	150,480			38,006
Manatee Board of County Commissioners		GA32.2 (08-09)	16,280			5,917
Manatee Board of County Commissioners		GA32.2 (09-10)	16,280			9,958
Lee County Board of County Commissioners		5053 2009-2010	30,000			24,625
Manatee County Children's Services		CA32.1 (09-10)	150,480			112,860
Volusia County Children and Family Services		CS9022 (08-09)	35,312			8,828
Volusia County Children and Family Services		CS1018 (09-10)	35,312			26,484
Volusia County Children and Family Services		CS9080 (08-09)	13,500			3,375
Volusia County Children and Family Services		CS1038 (09-10)	13,500			10,125
Manatee Board of County Commissioners		CA32.3 (08-09)	42,323			14,254
Manatee CFAB		CA32.3 (09-10)	42,323			27,015
Pasco County United Way		N/A 2009-2010	8,125			8,125
				<u>0</u>	<u>0</u>	<u>466,939</u>
Total Expenditures of Local Assistance				<u>0</u>	<u>0</u>	<u>670,771</u>
Total Expenditures of Federal Awards, State Projects, General State Funding, and Local Assistance				<u>1,235,735</u>	<u>16,686,263</u>	<u>670,771</u>

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

NOTES TO SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS

For The Year Ended June 30, 2010

1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of financial awards includes the federal, state and local grant activity of PACE Center for Girls, Inc. and its related entities and is prepared 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 the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Type A programs are those federal programs and state projects with expenditures greater than or equal to \$300,000 and \$327,706, respectively. All other programs are considered Type B.

2. PASS-THROUGH AWARDS

The Organization receives certain federal awards and state projects from pass-through awards of the state, local government and other entities. The total amount of such pass-through awards is included on the supplementary schedule of expenditures of financial awards.

3. TRANSFERS TO SUBRECIPIENTS

The Organization did not transfer any federal awards or state financial assistance to other entities.

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES
COUNCIL AUDITOR'S OFFICE
SCHEDULE OF SOURCE AND EXPENDITURE OF CITY GRANT FUNDS
PER ORDINANCE CODE CHAPTER 118.208(e)

For Audit Year 2009-2010

CITY OF JACKSONVILLE PUBLIC SERVICE GRANTS FOR FISCAL YEAR 2009/2010 AUDIT

Receipt of City Funds

	City FY 2009-2010 Grant #7000-24
Amount of Award (per City budget ordinance)	203,974
Actual Funds Received from City in Last Audit Period	(56,679)
Actual Amount Received this period	(147,153)
Amount Remaining to be Distributed	142

Expenditure of City Funds

City FY 2009-2010 Grant #7000-24 - \$203,974

	Budgeted	Actual 7/1/2009- 9/30/2009	Actual 10/1/2009- 6/30/2010	Total Actual	Remaining Balance
Salaries	168,092	45,932	122,018	167,950	142
Consumable Program Supplies	18,315	6,572	11,743	18,315	0
Office Expenses - Supplies	7,250	2,169	5,081	7,250	0
Participant Educational Materials	10,317	2,006	8,311	10,317	0
Total	203,974	56,679	147,153	203,832	142

	City FY 2009-2010 Grant #7000-25
Amount of Award (per City budget ordinance)	15,000
Actual Funds Received from City in Last Audit Period	0
Actual Amount Received this period	(10,175)
Amount Remaining to be Distributed	4,825

Expenditure of City Funds

City FY 2009-2010 Grant #7000-25 - \$15,000

	Budgeted	Actual 7/1/2009- 9/30/2009	Actual 10/1/2009- 6/30/2010	Total Actual	Remaining Balance
Salaries	13,575		10,181	10,181	3,394
Participant Educational Materials	1,425		1,125	1,125	300
Total	15,000	0	11,306	11,306	3,694

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

NOTES TO SCHEDULE OF SOURCE AND EXPENDITURE OF CITY GRANT FUNDS

For The Year Ended June 30, 2010

BASIS OF ACCOUNTING

The accompanying schedule of source and expenditure of city grant funds includes grant activity related to funding from the various departments within the City of Jacksonville.

The information in this schedule is presented in accordance with the requirements of Ordinance Code Chapter 118.208(e) of the City of Jacksonville, Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CONTRACT 7000-24

The remaining expenditures balance of \$142 for contract number 7000-24 reflects expenditures that were not earned under the contract. PACE never requested reimbursement for this amount.

CONTRACT 7000-25

The remaining expenditures balance of \$3,694 for contract number 7000-25 reflects expenditures to be incurred during the remaining contract period.

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

Combining Statements of Financial Position

June 30, 2010

	PACE Center for Girls, Inc.	PACE - THC, Inc.	PACE Broward - THC, Inc.	PACE Collier - THC, Inc.	PACE Alachua - THC, Inc.	Elimination	Total
ASSETS							
Current Assets:							
Cash and cash equivalents	5,282,232	18,921		4,126	7,878		5,313,157
Grants receivable	1,808,310						1,808,310
Pledges receivable, current portion	712,410						712,410
Prepaid expenses and other assets	286,630	3,007		24,906	6,258		320,801
Due from other locations	4,241,204					(4,241,204)	0
Total Current Assets	12,330,786	21,928	0	29,032	14,136	(4,241,204)	8,154,678
Investments	3,075,227						3,075,227
Pledges receivable, long-term portion	616,660						616,660
Land, building and equipment, net	410,006	1,595,523	2,216,423	4,932,922	754,424		9,909,298
Total Assets	16,432,679	1,617,451	2,216,423	4,961,954	768,560	(4,241,204)	21,755,863
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Accounts payable and accrued expenses	1,622,796	696		1,127	2,895		1,627,514
Due to other locations	3,503,670	259,768	362,412	76,642	38,712	(4,241,204)	0
Deferred revenue	44,226						44,226
Notes payable, current portion	9,129	21,481	168,834	24,357	5,345		229,146
Total Current Liabilities	5,179,821	281,945	531,246	102,126	46,952	(4,241,204)	1,900,886
Notes payable, long-term portion	10,464	180,719	183,757	174,583	490,884		1,040,407
Total Liabilities	5,190,285	462,664	715,003	276,709	537,836	(4,241,204)	2,941,293
Net Assets:							
Unrestricted	8,077,969	1,154,787	1,501,420	4,685,245	230,724		15,650,145
Temporarily restricted	3,164,425						3,164,425
Total Net Assets	11,242,394	1,154,787	1,501,420	4,685,245	230,724	0	18,814,570
Total Liabilities and Net Assets	16,432,679	1,617,451	2,216,423	4,961,954	768,560	(4,241,204)	21,755,863

The Notes to Combined Financial Statements are an integral part of these statements.

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

Combining Statements of Financial Position

June 30, 2009

	PACE Center for Girls, Inc.	PACE - THC, Inc.	PACE Broward - THC, Inc.	PACE Collier - THC, Inc.	PACE Alachua - THC, Inc.	Elimination	Total
ASSETS							
Current Assets:							
Cash and cash equivalents	5,188,522	18,745		4,484			5,211,751
Grants receivable	1,923,683						1,923,683
Pledges receivable, current portion	648,538						648,538
Prepaid expenses and other assets	361,591	3,412		28,738			393,741
Due from other locations	4,196,128					(4,196,128)	0
Total Current Assets	12,318,462	22,157	0	33,222	0	(4,196,128)	8,177,713
Investments	2,978,968						2,978,968
Pledges receivable, long-term portion	624,722						624,722
Land, building and equipment, net	555,164	1,694,784	2,358,231	5,205,603	19,838		9,833,620
Total Assets	16,477,316	1,716,941	2,358,231	5,238,825	19,838	(4,196,128)	21,615,023
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Accounts payable and accrued expenses	1,662,286	765		1,256			1,664,307
Due to other locations	3,503,670	248,741	348,359	63,339	32,019	(4,196,128)	0
Deferred revenue	45,048						45,048
Notes payable, current portion	5,214	20,092	155,123	22,739			203,168
Total Current Liabilities	5,216,218	269,598	503,482	87,334	32,019	(4,196,128)	1,912,523
Notes payable, long-term portion	4,779	202,200	352,591	198,940			758,510
Total Liabilities	5,220,997	471,798	856,073	286,274	32,019	(4,196,128)	2,671,033
Net Assets:							
Unrestricted	8,435,553	1,245,143	1,502,158	4,952,551	(12,181)		16,123,224
Temporarily restricted	2,820,766						2,820,766
Total Net Assets	11,256,319	1,245,143	1,502,158	4,952,551	(12,181)	0	18,943,990
Total Liabilities and Net Assets	16,477,316	1,716,941	2,358,231	5,238,825	19,838	(4,196,128)	21,615,023

The Notes to Combined Financial Statements are an integral part of these statements.

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

Combining Statements of Activities

Year Ended June 30, 2010

	PACE Center for Girls, Inc.	PACE - THC, Inc.	PACE Broward - THC, Inc.	PACE Collier - THC, Inc.	PACE Alachua - THC, Inc.	Elimination	Total
CHANGES IN UNRESTRICTED NET ASSETS:							
Unrestricted Revenues, Gains and Other Support:							
Public grants - school board	5,755,882						5,755,882
Public grants - DJJ	10,915,829						10,915,829
Public grants - other	1,921,058						1,921,058
Contributions	1,867,824		200,000				2,067,824
In-kind contributions	323,619						323,619
Special events and other	543,591	34,382		37,315	29,934	(101,631)	543,591
Consulting							0
Interest income	9,177	176		27	26		9,406
Other income	46,756					(40,000)	6,756
Net assets released from restrictions	1,505,128						1,505,128
Total Unrestricted Revenues, Gains and Other Support	22,888,864	34,558	200,000	37,342	29,960	(141,631)	23,049,093
Expenses and Losses:							
Program services	20,143,741	124,914	200,738	304,648	52,510	(141,631)	20,684,920
Management and general	1,282,526						1,282,526
Fundraising	1,554,726						1,554,726
Total Expenses and Losses	22,980,993	124,914	200,738	304,648	52,510	(141,631)	23,522,172
Increase (decrease) in unrestricted net assets	(92,129)	(90,356)	(738)	(267,306)	(22,550)	0	(473,079)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:							
Restricted Revenues, Gains and Other Support:							
Private grants	1,335,369						1,335,369
Contributions	331,411						331,411
In-kind contributions	154,992						154,992
Interest income	25,512						25,512
Special events and other	1,425						1,425
Other income	78						78
Net assets released from restrictions	(1,505,128)						(1,505,128)
Increase (decrease) in temporarily restricted net assets	343,659	0	0	0	0	0	343,659
Increase (decrease) in total net assets before transfer	251,530	(90,356)	(738)	(267,306)	(22,550)	0	(129,420)
Transfer of net assets	(265,455)			0	265,455		0
Increase (decrease) in total net assets	(13,925)	(90,356)	(738)	(267,306)	242,905	0	(129,420)
Net assets, beginning of year	11,256,319	1,245,143	1,502,158	4,952,551	(12,181)		18,943,990
Net assets, end of year	11,242,394	1,154,787	1,501,420	4,685,245	230,724	0	18,814,570

The Notes to Combined Financial Statements are an integral part of these statements.

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

Combining Statements of Activities

Year Ended June 30, 2009

	PACE Center for Girls, Inc.	PACE - THC, Inc.	PACE Broward - THC, Inc.	PACE Collier - THC, Inc.	PACE Alachua - THC, Inc.	Elimination	Total
CHANGES IN UNRESTRICTED NET ASSETS:							
Unrestricted Revenues, Gains and Other Support:							
Public grants - school board	5,942,451						5,942,451
Public grants - DJJ	10,915,480						10,915,480
Public grants - other	1,493,410						1,493,410
Contributions	1,655,963		200,000				1,855,963
In-kind contributions	187,507						187,507
Special events and other	543,113	34,382		37,315		(71,697)	543,113
Consulting	1,719						1,719
Interest income	54,009	286		41			54,336
Other income	43,961					(40,000)	3,961
Net assets released from restrictions	1,256,778						1,256,778
Total Unrestricted Revenues, Gains and Other Support	22,094,391	34,668	200,000	37,356	0	(111,697)	22,254,718
Expenses and Losses:							
Program services	18,806,080	130,574	212,481	311,521	12,181	(111,697)	19,361,140
Management and general	1,619,964						1,619,964
Fundraising	1,296,422						1,296,422
Total Expenses and Losses	21,722,466	130,574	212,481	311,521	12,181	(111,697)	22,277,526
Increase (decrease) in unrestricted net assets	371,925	(95,906)	(12,481)	(274,165)	(12,181)	0	(22,808)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:							
Restricted Revenues, Gains and Other Support:							
Private grants	1,137,435						1,137,435
Contributions	79,347						79,347
In-kind contributions							0
Interest income	22,657						22,657
Special events and other	2,455						2,455
Other income	76						76
Net assets released from restrictions	(1,256,778)						(1,256,778)
Increase (decrease) in temporarily restricted net assets	(14,808)	0	0	0	0	0	(14,808)
Increase (decrease) in total net assets before transfer	357,117	(95,906)	(12,481)	(274,165)	(12,181)	0	(37,616)
Transfer of net assets	0			0			0
Increase (decrease) in total net assets	357,117	(95,906)	(12,481)	(274,165)	(12,181)	0	(37,616)
Net assets, beginning of year	10,899,202	1,341,049	1,514,639	5,226,716			18,981,606
Net assets, end of year	11,256,319	1,245,143	1,502,158	4,952,551	(12,181)	0	18,943,990

The Notes to Combined Financial Statements are an integral part of these statements.

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

Combined Statements of Cash Flows

Year Ended June 30, 2010

	PACE Center for Girls, Inc.	PACE - THC, Inc.	PACE Broward - THC, Inc.	PACE Collier - THC, Inc.	PACE Alachua - THC, Inc.	Elimination	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in net assets	(13,925)	(90,356)	(738)	(267,306)	242,905	0	(129,420)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:							
Depreciation	291,261	99,261	141,808	275,356	11,031		818,717
(Gain) loss on disposal of land and equipment	2,219						2,219
Unrealized (gain) loss on investments	(60,242)						(60,242)
Realized (gain) loss on investments							0
Forgiveness of long-term debt			(155,123)				(155,123)
Grants receivable	115,373						115,373
Pledges receivable	(55,810)						(55,810)
Prepaid expenses and other assets	74,961	405		3,832	(6,258)		72,940
Accounts payable and accrued expenses	(39,490)	(69)		(129)	2,895		(36,793)
Due to/from other locations	(45,076)	11,027	14,053	13,303	6,693		0
Deferred revenue	(822)						(822)
Net cash provided by operating activities	268,449	20,268	0	25,056	257,266	0	571,039
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of investments	4,431,273						4,431,273
Purchases of investments	(4,467,290)						(4,467,290)
Purchases of property and equipment	(148,322)			(2,675)	(745,617)		(896,614)
Proceeds from disposal of property							0
Net cash used in investing activities	(184,339)	0	0	(2,675)	(745,617)	0	(932,631)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from long-term debt issuance	18,227				500,000		518,227
Principal repayments of long-term debt	(8,627)	(20,092)		(22,739)	(3,771)		(55,229)
Net cash provided by (used in) financing activities	9,600	(20,092)	0	(22,739)	496,229	0	462,998
Net change in cash and cash equivalents	93,710	176	0	(358)	7,878	0	101,406
Cash and cash equivalents, beginning of year	5,188,522	18,745	0	4,484		0	5,211,751
Cash and cash equivalents, end of year	<u>5,282,232</u>	<u>18,921</u>	<u>0</u>	<u>4,126</u>	<u>7,878</u>	<u>0</u>	<u>5,313,157</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INFORMATION							
Cash paid for interest	917	14,290		14,576	26,163		55,946

The Notes to Combined Financial Statements are an integral part of these statements.

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

Combined Statements of Cash Flows

Year Ended June 30, 2009

	PACE Center for Girls, Inc.	PACE - THC, Inc.	PACE Broward - THC, Inc.	PACE Collier - THC, Inc.	PACE Alachua - THC, Inc.	Elimination	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in net assets	357,117	(95,906)	(12,481)	(274,165)	(12,181)	0	(37,616)
Adjustments to reconcile change in net assets to net cash provided by operating activities:							
Depreciation	327,634	99,262	141,807	275,357			844,060
(Gain) loss on disposal of land and equipment	(480)						(480)
Unrealized (gain) loss on investments	47,953						47,953
Realized (gain) loss on investments	108,150						108,150
Forgiveness of long-term debt			(142,525)				(142,525)
Grants receivable	(116,685)						(116,685)
Pledges receivable	343,689						343,689
Prepaid expenses and other assets	(105,164)	406		3,831			(100,927)
Accounts payable and accrued expenses	120,873	(65)		(120)			120,688
Due to/from other locations	(76,951)	15,382	13,199	16,351	32,019		0
Deferred revenue	(17,454)						(17,454)
Net cash provided by operating activities	988,682	19,079	0	21,254	19,838	0	1,048,853
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of investments	5,369,359						5,369,359
Purchases of investments	(5,438,199)						(5,438,199)
Purchases of property and equipment	(139,256)				(19,838)		(159,094)
Proceeds from disposal of property	2,800						2,800
Net cash used in investing activities	(205,296)	0	0	0	(19,838)	0	(225,134)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from long-term debt issuance							0
Principal repayments of long-term debt	(50,250)	(18,793)		(21,228)			(90,271)
Net cash used in financing activities	(50,250)	(18,793)	0	(21,228)	0	0	(90,271)
Net change in cash and cash equivalents	733,136	286	0	26	0	0	733,448
Cash and cash equivalents, beginning of year	4,455,386	18,459	0	4,458	0	0	4,478,303
Cash and cash equivalents, end of year	5,188,522	18,745	0	4,484	0	0	5,211,751
SUPPLEMENTAL DISCLOSURES OF NONCASH INFORMATION							
Cash paid for interest	340	15,590		16,086			32,016

The Notes to Combined Financial Statements are an integral part of these statements.

SMOAK, DAVIS & NIXON LLP

CERTIFIED PUBLIC ACCOUNTANTS

5011 GATE PARKWAY

BUILDING 100, SUITE 300

JACKSONVILLE, FLORIDA 32256-0562

R. LAVON BURNAM, C.P.A.
JEFFREY L. SHELTON, C.P.A.
EDWARD P. SCHMITZER, C.P.A., P.A.
CALVIN K. STEPHENS, C.P.A., P.A.
ROBERT T. LOVERICH, C.P.A., P.A.

(904) 396-5831
(904) 399-8985 FAX
WWW.SDNLLP.COM

PAUL R. SMOAK, C.P.A.
(1989-1985)
JEWELL A. DAVIS, C.P.A.
(1987-1982)
FRANCIS C. NIXON, C.P.A.
(1907-1980)

To the Board of Directors
PACE Center for Girls, Inc.,
and Related Entities
Jacksonville, Florida

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*

We have audited the combined financial statements of the PACE Center for Girls, Inc. and its related entities (collectively referred herein as the "Organization") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Directors
PACE Center for Girls, Inc.,
and Related Entities
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and federal, state, and local awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Smoak, Davis & Nixon LLP

October 22, 2010

SMOAK, DAVIS & NIXON LLP

CERTIFIED PUBLIC ACCOUNTANTS

5011 GATE PARKWAY

BUILDING 100, SUITE 300

JACKSONVILLE, FLORIDA 32256-0562

R. LAVON BURNAM, C.P.A.
JEFFREY L. SHELTON, C.P.A.
EDWARD P. SCHMITZER, C.P.A., P.A.
CALVIN K. STEPHENS, C.P.A., P.A.
ROBERT T. LOVERICH, C.P.A., P.A.

(904) 396-5831
(904) 399-8985 FAX
WWW.SDNLLP.COM

PAUL R. SMOAK, C.P.A.
(1889-1965)
JEWELL A. DAVIS, C.P.A.
(1897-1982)
FRANCIS C. NIXON, C.P.A.
(1907-1980)

To the Board of Directors
PACE Center for Girls, Inc.,
and Related Entities
Jacksonville, Florida

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Compliance

We have audited PACE Center for Girls, Inc. and its related entities (collectively referred herein as the "Organization") compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended June 30, 2010. The Organization'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 financial assistance projects is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

To the Board of Directors
PACE Center for Girls, Inc.,
and Related Entities
Page Two

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

Internal Control Over Compliance

The management of the Organization 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 the Organization's internal control over compliance with 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 the Organization'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 a limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and federal, state, and local awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Smoak, Davis & Nixon LLP

October 22, 2010

PACE CENTER FOR GIRLS, INC.,
AND RELATED ENTITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u>	Yes	<u> x </u>	No
Reportable condition(s) identified not considered to be weaknesses?	<u> </u>	Yes	<u> x </u>	No
Noncompliance material to financial statement noted?	<u> </u>	Yes	<u> x </u>	No

Federal Awards and State Financial Assistance Section

Dollar Threshold used to determine Federal Type A programs: \$300,000

Dollar Threshold used to determine State Type A programs: \$327,706

Auditee qualified as low-risk auditee for federal awards purposes? x Yes No

Type of auditor's report on compliance for major programs/projects: Unqualified

Internal control over compliance:

Material weakness(es) identified?	<u> </u>	Yes	<u> x </u>	No
Were reportable condition(s) identified not considered to be weakness(es)?	<u> </u>	Yes	<u> x </u>	No

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section 501(a)) and Chapter 10.650, Rules of the Auditor General?

	<u> </u>	Yes	<u> x </u>	No
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PACE CENTER FOR GIRLS, INC.
AND RELATED ENTITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

SUMMARY OF AUDITOR'S RESULTS

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	ARRA - National School Lunch Program
16.804	ARRA - Edward Byrne Memorial Justice Assistance Grant

Identification of major state financial assistance projects:

<u>CFSA Number(s)</u>	<u>Name of State Project or Cluster</u>
80.007	Practical and Cultural Education (PACE) Center for Girls

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

None

FINDINGS AND QUESTIONED COSTS – MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

None

SCHEDULE OF PRIOR AUDIT FINDINGS

None – No prior audit finding to be reported

MANAGEMENT LETTER

None – No findings required to be reported

CORRECTIVE ACTION PLAN

None – No findings are reported