

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
(A NOT-FOR-PROFIT CORPORATION)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2010

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

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Marvin H. Ribotsky, CPA
(1934-2008)

Norman Levine, CPA

Elliott W. Starman, CPA



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Passageway Residence of Dade County, Inc.
Miami, Florida

We have audited the accompanying balance sheet of Passageway Residence of Dade County, Inc. as of June 30, 2010 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of Passageway Residence of Dade County, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and government auditing standards issued by the Comptroller General of the United States and the applicable provisions of Section 215.97, Florida Statutes, Florida Single Audit Act. Those standards and provisions 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 Passageway Residence of Dade County, Inc. as of June 30, 2010 and the changes in its net assets and its cash flows and functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with government auditing standards and the Florida Single Audit Act, we have also issued reports dated August 11, 2010 on our consideration of Passageway Residence of Dade County, Inc.'s internal control structure, its compliance with laws and regulations and compliance and internal control over compliance applicable to major state projects.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Passageway Residence of Dade County, Inc. taken as a whole. The accompanying Schedule of State Financial Assistance which has been prepared in accordance with U.S. generally accepted accounting principles, and Schedule of Findings and Questioned Costs for the year ended June 30, 2010 are presented for purposes of additional analysis and pursuant to the requirements of the Florida Single Audit Act but are not required parts of the basic financial statements. The information in these schedules have been subjected to the procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in red ink that reads "Ribotsky, Levine & Co." in a cursive script.

RIBOTSKY, LEVINE & COMPANY
Certified Public Accountants

North Miami, Florida
August 11, 2010

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

BALANCE SHEET

JUNE 30, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$ 376,216	\$ 21,528	\$ 397,744
United States Treasury Bill	249,885	-	249,885
Receivables:			
Grant	337,191	-	337,191
Medicaid	135,568	-	135,568
Clients	14,951	-	14,951
Other	6,479	-	6,479
Interfund loans and advances	6,528	-	*
Prepaid expenses	72,235	-	72,235
Deferred financing costs - net	18,675	-	18,675
Property and equipment - net	1,575,333	-	1,575,333
Other assets	<u>4,387</u>	<u>-</u>	<u>4,387</u>
 TOTAL ASSETS	 <u>\$ 2,797,448</u>	 <u>\$ 21,528</u>	 <u>\$ 2,812,448</u>
 <u>LIABILITIES AND NET ASSETS</u>			
 LIABILITIES:			
Accounts payable and accrued expenses	\$ 183,951	\$ -	\$ 183,951
Mortgage payable	873,219	-	873,219
Interfund loans and advances	<u>-</u>	<u>6,528</u>	<u>*</u>
 TOTAL LIABILITIES	 1,057,170	 6,528	 1,057,170
 NET ASSETS	 <u>1,740,278</u>	 <u>15,000</u>	 <u>1,755,278</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,797,448</u>	 <u>\$ 21,528</u>	 <u>\$ 2,812,448</u>

* Eliminated in combination.

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

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE AND OTHER SUPPORT:			
Grants - State of Florida Department of Children and Families	\$ 1,925,630	\$ -	\$ 1,925,630
Contributions	1,791	-	1,791
Medicaid	930,427	-	930,427
Residential rents and program fees	297,592	-	297,592
Interest income	851	-	851
Other	510	-	510
In-kind contributions	<u>17,700</u>	<u>-</u>	<u>17,700</u>
 TOTAL REVENUE AND OTHER SUPPORT	 <u>3,174,501</u>	 <u>-</u>	 <u>3,174,501</u>
 EXPENSES:			
Residential Programs	928,242	-	928,242
Day/Night Program	276,428	-	276,428
Case Management Program	187,411	-	187,411
Comprehensive Community Service Teams	828,776	-	828,776
Medical Services	281,024	-	281,024
Incidental	5,826	-	5,826
Management and general	<u>438,473</u>	<u>-</u>	<u>438,473</u>
 TOTAL EXPENSES	 <u>2,946,180</u>	 <u>-</u>	 <u>2,946,180</u>
 CHANGE IN NET ASSETS	 228,321	 -	 228,321
 NET ASSETS - JULY 1, 2009	 <u>1,511,957</u>	 <u>15,000</u>	 <u>1,526,957</u>
 NET ASSETS - JUNE 30, 2010	 <u>\$ 1,740,278</u>	 <u>\$ 15,000</u>	 <u>\$ 1,755,278</u>

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

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from grants	\$ 1,941,298	\$ -	\$ 1,941,298
Medicaid fees received	961,761	-	961,761
Rents and other fees received from service recipients	276,200	-	276,200
Contributions, interest and miscellaneous receipts	3,152	-	3,152
Cash paid to suppliers and employees	(2,721,564)	-	(2,721,564)
Interest paid	(53,926)	-	(53,926)
Interfund transfers	(31)	31	-
	<u>406,890</u>	<u>31</u>	<u>406,921</u>
Net cash provided by operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments in U.S. Treasury Bills - net	(50)	-	(50)
Purchases of property, furniture and equipment	(226,487)	-	(226,487)
Security deposits returned - net	238	-	238
	<u>(226,299)</u>	<u>-</u>	<u>(226,299)</u>
Net cash (used) by investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on mortgages	(26,700)	-	(26,700)
	<u>(26,700)</u>	<u>-</u>	<u>(26,700)</u>
Net cash (used) by financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENTS	153,891	31	153,922
CASH AND CASH EQUIVALENTS - JULY 1, 2009	<u>222,325</u>	<u>21,497</u>	<u>243,822</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2010	<u>\$ 376,216</u>	<u>\$ 21,528</u>	<u>\$ 397,744</u>

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

STATEMENT OF CASH FLOWS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Change in net assets	\$ 228,321	\$ -	\$ 228,321
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation of property and equipment	93,152	-	93,152
Amortization of deferred finance costs	4,668	-	4,668
(Increase) decrease in certain assets:			
Grants receivable	15,668	-	15,668
Medicaid receivable	31,334	-	31,334
Client and other receivables	(12,529)	-	(12,529)
Prepaid expenses	3,278	-	3,278
Increase (decrease) in certain liabilities:			
Accounts payable and accrued expenses	44,877	-	44,877
Client advances	(1,848)	-	(1,848)
Interfund	(31)	31	-
Net cash provided by operating activities	<u>\$ 406,890</u>	<u>\$ 31</u>	<u>\$ 406,921</u>

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

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	PROGRAM SERVICES									SUPPORTING SERVICES	Total Expenses	
	Residential Level II	Room and Board With Supervision Level II	Community Forensic Level II	Total Residential	Day / Night	Case Management	Comprehensive Community Service Teams	Medical Services	Incidental	Total Program Services		Management And General
Salaries	\$ 140,652	\$ 126,369	\$ 223,785	\$ 490,806	\$ 157,460	\$ 120,595	\$ 485,785	\$ 199,828	\$ -	\$ 1,454,474	\$ 238,728	\$ 1,693,202
Payroll taxes	4,665	11,305	25,061	41,031	12,696	7,700	37,942	13,385	-	112,754	19,773	132,527
Employee benefits	11,268	26,277	57,025	94,570	28,090	17,039	84,378	29,617	-	253,694	46,679	300,373
Total salaries and employee benefits	156,585	163,951	305,871	626,407	198,246	145,334	608,105	242,830	-	1,820,922	305,180	2,126,102
Occupancy	16,273	13,740	24,469	54,482	26,522	13,261	53,566	2,213	-	150,044	33,940	183,984
Professional fees and contract services	4,012	2,508	6,018	12,538	-	-	38,597	17,552	-	68,687	27,505	96,192
Travel and automobile	653	1,571	3,180	5,404	1,352	902	4,489	1,503	-	13,650	2,254	15,904
Conferences and training	2,010	3,077	5,385	10,472	1,006	1,090	5,382	-	-	17,950	7,691	25,641
Food services (including \$17,700 in-kind contributions)	20,513	17,838	33,000	71,351	-	-	17,837	-	-	89,188	-	89,188
Telephone	242	725	1,530	2,497	725	483	4,040	1,146	-	8,891	5,980	14,871
Interest and finance charges	6,482	5,402	9,723	21,607	10,803	5,402	10,803	-	-	48,615	5,402	54,017
Insurance	7,267	12,347	24,935	44,549	15,984	9,444	35,340	9,678	-	114,995	18,155	133,150
Operating supplies and expenses	11,122	11,694	17,615	40,431	2,990	1,992	16,234	5,403	5,358	72,408	4,512	76,920
Other	-	-	-	-	-	-	14,195	-	468	14,663	17,728	32,391
Depreciation and amortization	11,105	9,717	17,682	38,504	18,800	9,503	20,188	699	-	87,694	10,126	97,820
Total operating expenses	236,264	242,570	449,408	928,242	276,428	187,411	828,776	281,024	5,826	2,507,707	438,473	2,946,180
Allocation of management and general expenses *	41,311	42,413	78,579	162,303	48,333	32,769	144,912	49,137	1,019	438,473	(438,473)	-
	<u>\$ 277,575</u>	<u>\$ 284,983</u>	<u>\$ 527,987</u>	<u>\$ 1,090,545</u>	<u>\$ 324,761</u>	<u>\$ 220,180</u>	<u>\$ 973,688</u>	<u>\$ 330,161</u>	<u>\$ 6,845</u>	<u>\$ 2,946,180</u>	<u>\$ -</u>	<u>\$ 2,946,180</u>

* Supporting Services - Management and General expenses aggregate 14.88% of Total Expenses and 17.49% of Program Service expenses.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE - Passageway Residence of Dade County, Inc. (Passageway) was incorporated in the State of Florida in 1981, as a not-for-profit corporation, for the purpose of assisting individuals with a history of forensic mental health problems by providing such transitional support needs as a residential community, vocational training and resocialization services to enable such individuals to adjust to an acceptable social lifestyle. Passageway derives its principal support and revenue from grants from the State of Florida Department of Children and Families, provider fees from the Florida Medicaid Program and rental charges to clients. The principal programs of Passageway are as follows:

- a) Residential Program
Provides supervised residential group housing facilities.
- b) Day/Night Program
Provides community center activities and assists participants in developing both social skills and general skills applicable to a work environment in addition to providing assistance in transitional employment leading to stabilization in employment.
- c) Case Management
Provides counseling to assist clients in developing an acceptable social lifestyle.
- d) Comprehensive Community Service Teams
The program includes components of Passageway's aforementioned programs i.e. supported housing, case management and supported employment in addition to outreach, out patient, in-house/on-site, information and referral and prevention/intervention services under a team approach.
- e) Medical Services
This program provides licensed psychiatric and nursing care including prescribed medicines to program participants.

CONCENTRATION OF CREDIT RISK - Passageway at times maintains funds in excess of insured limits in a financial institution. Uninsured balances maintained at June 30, 2010 aggregated \$110,529.

BASIS OF PRESENTATION - The accounts of Passageway are maintained on the accrual basis of accounting and in accordance with the principles of fund accounting, in order to ensure observance of the limitations and restrictions placed on the use of its resources. Passageway adheres to The Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958. Under FASB ASC 958, the Agency 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, Passageway is required to present a statement of cash flows. Passageway does not have any permanently restricted net assets and accordingly grouped its funds for financial statement presentation as follows:

(Continued)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

BASIS OF PRESENTATION - (CONTINUED)

- a) Unrestricted net assets - That part of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- b) Temporarily restricted net assets - That part of net assets resulting from contributions, grants and other inflows of assets whose use by Passageway is limited by donor-imposed stipulations that either expire by passage of time or by actions of Passageway that satisfy those stipulations. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions upon satisfaction of the donor stipulation. At June 30, 2010 temporarily restricted net assets are designated by donors for use in conducting research toward the development of a clinical profile of Passageway past and present clients to better serve the needs of the mentally ill involved in the criminal justice system.

FASB ASC 958 also requires among other things the immediate recognition as support (income) all unconditional contributions received and makes an important distinction between restrictions and conditions.

CASH EQUIVALENTS - Passageway considers investments in highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. Accordingly, Passageway's investment in a United States Treasury Bill is not considered a cash equivalent since it was purchased with a six month maturity date (October 22, 2010). The investment yields approximately .12 percent annually and is carried at market value, which approximates amortized cost.

PROPERTY AND EQUIPMENT - Property and equipment are recorded at cost when purchased or constructed or at their estimated fair values when donated. Additions, improvements and expenditures for maintenance that add materially to productive capacity or extend the life of an asset are capitalized. Other expenditures for maintenance are charged to operations. In the case of disposals, the assets and related accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to operations. Depreciation of property and equipment is computed by the straight line method over the estimated useful lives of the assets.

DONATED MATERIALS AND SERVICES - Donated assets are recorded as contributions at their estimated values at date of receipt. Donated services are recorded if such services enhance a nonfinancial asset e.g. buildings or require specialized skills that would need to be purchased. During the year ended June 30, 2010 Passageway's non cash donations comprised food received from another not-for-profit organization.

(Continued)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

INCOME TAXES - Passageway is a not-for-profit corporation exempt from taxation under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is required.

DEFERRED FINANCING COSTS - Deferred financing costs at June 30, 2010 comprise costs associated with Passageway obtaining mortgage financing for its primary offices and residential facility to service its clients. Deferred financing costs, are being amortized on the straight-line method over the term of the respective financing.

ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the U. S. requires the use of estimates and assumptions by management. Such estimates which are based on prior operating history and industry standards, affect the reported amounts in the financial statements and disclosures in the accompanying notes. Actual results could differ from those estimates.

NOTE 2 - PROPERTY AND EQUIPMENT

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

		<u>Lives (In Years)</u>
Land	\$ 100,000	
Buildings	1,693,152	27-40
Building improvements	118,615	10-39
Vehicles	86,499	5
Furniture, fixtures and equipment	<u>202,406</u>	5-10
	2,200,672	
Less accumulated depreciation	<u>766,046</u>	
	1,434,626	
Property held for development	<u>140,707</u>	
	<u>\$ 1,575,333</u>	

Passageway entered into an agreement with a developer to build a residential treatment facility (Facility) on land presently occupied under a sublease expiring January 2033 (\$1 a year) from the State of Florida. Construction of the Facility began in April 1993 and Passageway occupied the Facility in February 1994.

(Continued)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 2 - PROPERTY AND EQUIPMENT - (CONTINUED)

The cost of constructing the Facility was funded substantially by amounts drawn under a \$1,250,000 construction loan from a bank. The loan was repaid from long-term financing obtained through bond financing, which was repaid in July 2004 (prior to maturity) from the proceeds of mortgage financing (Note 3). During the fiscal year ended June 30, 2009, Passageway purchased and occupied an additional residential facility. The cost of the new facility approximated \$353,000 including \$100,000 allocated to the cost of the land. Further, property held for development represents the cost of a four-plex located in Miami, Dade County acquired in December 2009. Passageway estimates additional development and rehabilitation costs of approximately \$250,000 prior to occupancy as a residential facility.

In addition, Passageway occupies administrative offices under a lease expiring April 30, 2011 for a monthly rental of \$3,775 plus increases in certain landlord operating expenses. Rent expense under this lease approximated \$44,300 during the year ended June 30, 2010.

NOTE 3 - MORTGAGE PAYABLE

Mortgage payable at June 30, 2010 represents a first mortgage on Passageway residential treatment facility payable based on a 20-year amortization period plus interest at 2% above the prime rate (minimum 6% a year) with maturity on July 5, 2014.

The principal balance of the mortgage is payable as follows:

Fiscal year ending June 30:	
2011	\$ 23,973
2012	25,328
2013	27,054
2014	28,746
2015	<u>768,118</u>
	<u>\$ 873,219</u>

NOTE 4 - MEDICAID FUNDING

Passageway participates in the Florida Medicaid program. Medicaid funds received are subject to a future audit of the documentation of the program as required by the funding agreement. As a result of such audits, certain amounts may be required to be returned or additional funds may be awarded. In this connection, Passageway maintains an account for estimated billings collected in excess of amounts allowable, approximating \$11,100, which is included in accounts payable and accrued expenses on the accompanying financial statements. In management's opinion, the probability of additional reimbursement requests in excess of the amounts provided is considered unlikely.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 5 - MAJOR GRANTOR

Passageway received a substantial portion of its support from the State of Florida Department of Children and Families under a two year grant contract No. KH226 expiring June 30, 2011. Under the terms of this contract Passageway agreed to provide and has provided matching funds of \$10,609 during the year ended June 20, 2010. Although a maximum annual amount is established under the grant negotiation process, support is generally recognized on an exchange basis to the extent of units of service provided (Unrestricted).

Passageway's performance under contracts with the State of Florida Department of Children and Families are subject to audit by the State of Florida. No provision for any liability that may result from audits of the above or other past contracts has been made in the financial statements and management is of the opinion that no material liability will result from such audits.

NOTE 6 - PROFIT SHARING PLAN

On April 20, 2000 Passageway adopted a 401(k) defined contribution profit sharing plan (Plan) for their qualified full-time employees. The Plan for the benefit of eligible employees upon their retirement, death or disability, provided that employees may contribute annually any amount up to 15% of their compensation with Passageway making a matching annual contribution equal to 100% of the first 8% of each employee's compensation. Passageway contributions to the plan aggregated \$67,984 for the year ended June 30, 2010 net of forfeiture credits of \$3,951. During the fiscal year ended June 30, 2008 the Plan was amended to enable Passageway to make Plan contributions that do not require salary reduction employee contributions. In this connection Passageway made additional Plan contributions allocated to employees with one year of service based on their respective compensation of \$57,610 equal to 5% of the participant's annual compensation. Pension expense aggregated \$125,594 for the year ended June 30, 2010.

NOTE 7 - SUBSEQUENT EVENTS

Passageway has evaluated subsequent events through August 11, 2010, the date which these financial statements were available to be issued.

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

SCHEDULE OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2010

<u>Grantor/Project Title</u>	<u>CSFA No.</u>	<u>Contract No.</u>	<u>Expenditures *</u>
<u>STATE FINANCIAL ASSISTANCE:</u>			
Department of Children and Families/Adult Community Mental Health Community Support Services	60.053	KH 206	\$ 797,999 *
Department of Children and Families/ Adult Mental Health Forensic Involvement	60.114	KH 206	<u>1,127,631 *</u>
			<u>\$ 1,925,630</u>

* Contract Number KH 206 requires the grantee to provide units of deliverables. Expenditures represent the allocable portion of the grant to the cost centers rather than the cost centers' prorata share of expenses funded by the contract.

Attention is directed to the independent auditors' report relating to this schedule.

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Passageway Residence Of Dade County, Inc.
2. No findings on controls resulting in reportable conditions nor instances of non compliance material to the financial statements of Passageway Residence Of Dade County, Inc., which would be required to be disclosed in accordance with rules of the Auditor General or in accordance with government auditing standards.
3. The auditors' report on compliance for major state projects for Passageway Residence of Dade County, Inc. expresses an unqualified opinion.
4. The state projects tested as major included the following:

	State CSFA No.
Department of Children and Families	
Adult Community Mental Health	60.053
Community Support Services	
Department of Children and Families	
Adult Mental Health	
Forensic Involvement	60.114

5. The threshold for distinguishing a major state project was \$300,000.
6. There were no findings and/or questioned costs related to the audit of the financial statements of Passageway Residence of Dade County Inc. as of June 30, 2009 and for the year then ended.

Attention is directed to the independent auditors' report relating to this schedule.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Passageway Residence of Dade County, Inc.
Miami, Florida

We have audited the financial statements of Passageway Residence of Dade County, Inc. (Agency) (a not-for-profit corporation) as of and for the year ended June 30, 2010, and have issued our report thereon dated August 11, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States and the applicable provisions of Section 215.97, Florida Statutes, Florida Single Audit Act.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under "Government Auditing Standards" and/or the provisions of the Florida Single Audit Act.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a significant deficiency and material weakness. A significant deficiency and material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a significant deficiency and material weakness.

To the Board of Directors of
Passageway Residence of Dade County, Inc.
Miami, Florida
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However we have noted other matters involving the internal control structure and its operation, some of which may involve issues relating to compliance and internal control over financial reporting, that we have reported to the management of Passageway Residence of Dade County, Inc. in a separate letter dated August 11, 2010.

This report is intended solely for the information of the board of directors and management of Passageway Residence of Dade County, Inc. and its grantors. However, this report is a matter of public record and its distribution is not limited.



RIBOTSKY, LEVINE & COMPANY
Certified Public Accountants

North Miami, Florida

August 11, 2010

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO
EACH MAJOR STATE PROJECT**

To the Board of Directors
Passageway Residence of Dade County, Inc.
Miami, Florida

Compliance

We have audited the compliance of Passageway Residence of Dade County, Inc. with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to its major state projects for the year ended June 30, 2010. Passageway Residence of Dade County, Inc.'s major state projects are identified in the accompanying Schedule of State Financial Assistance (Contract KH 206 CSFA Nos. 60.053 and 60.114). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its state projects is the responsibility of Passageway Residence of Dade County, Inc.'s management. Our responsibility is to express an opinion on the Passageway Residence of Dade County, Inc.'s compliance based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable provisions of *The Florida Single Audit Act*, and Chapter **10.650**, Rules of the Auditor General. Those standards, and Chapter **10.650**, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about Passageway Residence of Dade County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Passageway Residence of Dade County, Inc.'s compliance with those requirements.

In our opinion Passageway Residence of Dade County, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major state projects for the year ended June 30, 2010.

To the Board of Directors of
Passageway Residence of Dade County, Inc.
Miami, Florida
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Internal Control Over Compliance

The management of Passageway Residence of Dade County, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered Passageway Residence of Dade County, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Florida Single Audit Act and Chapter **10.650**, Rules of the Auditor General.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a significant deficiency and material weakness. A significant deficiency and material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be a significant deficiency and material weakness.

However we have noted other matters involving the internal control structure and its operations, some of which may involve issues relating to compliance, that we have reported to the management of Passageway Residence of Dade County, Inc. in a separate letter dated August 11, 2010.

This report is intended solely for the information and use of the Board of Directors, management of Passageway Residence of Dade County, Inc. and its grantors and is not intended to be and should not be used by anyone other than these specified parties.



RIBOTSKY, LEVINE & COMPANY
Certified Public Accountants

North Miami, Florida

August 11, 2010