

RIVER REGION HUMAN SERVICES, INC.
AND
RIVER REGION FOUNDATION, INC.

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2010 AND 2009

**RIVER REGION HUMAN SERVICES, INC. AND
RIVER REGION FOUNDATION, INC.**

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LBA CERTIFIED PUBLIC ACCOUNTANTS, PA

Report of Independent Certified Public Accountants

To the Board of Directors of
River Region Human Services, Inc.
and River Region Foundation, Inc.
Jacksonville, Florida

We have audited the accompanying combining statements of financial position of River Region Human Services, Inc. (a not-for-profit organization) and River Region Foundation, Inc. (a not-for-profit organization) as of June 30, 2010 and 2009, and the related combining statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of River Region Human Services, Inc. and River Region Foundation, Inc.'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 the 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 combining financial statements referred to above present fairly, in all material respects, the financial position of River Region Human Services, Inc. and River Region Foundation, Inc. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2010, on our consideration of River Region Human Services, Inc. and River Region Foundation, Inc.'s internal control over financial reporting and on 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.

THE LBA GROUP

Our audits were conducted for the purpose of forming an opinion on the combining financial statements as a whole. The accompanying statements of functional expenses – River Region Human Services, Inc. on pages 22-23 and the schedule of local grant programs on pages 24-29 are presented for purposes of additional analysis and are not a required part of the combining financial statements. The accompanying schedule of expenditures of financial awards, for the year ended June 30, 2010, is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General* of the State of Florida and is not a required part of the combining 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 combining financial statements. The information has been subjected to the auditing procedures applied in the audit of the combining financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combining financial statements or to the combining 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 combining financial statements taken as a whole.

LBA Certified Public Accountants, P.A.

October 26, 2010

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

	River Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
Assets:				
Cash and cash equivalents	\$ 1,585,041	\$ 58,745	\$ -	\$ 1,643,786
Accounts receivable - grants	1,247,165	-	-	1,247,165
Inventory	33,448	-	-	33,448
Prepaid expenses	29,985	2,000	-	31,985
Investments	160,272	-	-	160,272
Other assets	38,858	-	-	38,858
Land, buildings and equipment, net	<u>4,593,608</u>	<u>87,649</u>	-	<u>4,681,257</u>
Total assets	<u>\$ 7,688,377</u>	<u>\$ 148,394</u>	<u>\$ -</u>	<u>\$ 7,836,771</u>
Liabilities and net assets:				
Liabilities:				
Accounts payable	\$ 484,350	\$ -	\$ -	\$ 484,350
Accrued liabilities	581,433	-	-	581,433
Tenant deposits	1,400	-	-	1,400
Lines of credit	530,612	-	-	530,612
Notes payable	<u>760,721</u>	<u>68,536</u>	-	<u>829,257</u>
Total liabilities	<u>2,358,516</u>	<u>68,536</u>	-	<u>2,427,052</u>
Net assets:				
Unrestricted	<u>5,329,861</u>	<u>79,858</u>	-	<u>5,409,719</u>
Total liabilities and net assets	<u>\$ 7,688,377</u>	<u>\$ 148,394</u>	<u>\$ -</u>	<u>\$ 7,836,771</u>

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

	River Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
Assets:				
Cash and cash equivalents	\$ 1,786,770	\$ 63,069	\$ -	\$ 1,849,839
Accounts receivable - grants	840,898	-	-	840,898
Inventory	47,849	-	-	47,849
Prepaid expenses	34,072	-	-	34,072
Investments	97,985	-	-	97,985
Other assets	38,858	-	-	38,858
Land, buildings and equipment, net	<u>3,749,529</u>	<u>45,130</u>	-	<u>3,794,659</u>
Total assets	<u>\$ 6,595,961</u>	<u>\$ 108,199</u>	<u>\$ -</u>	<u>\$ 6,704,160</u>
Liabilities and net assets:				
Liabilities:				
Accounts payable	\$ 147,116	\$ 421	\$ -	\$ 147,537
Accrued liabilities	511,780	-	-	511,780
Line of credit	995,559	-	-	995,559
Notes payable	<u>118,918</u>	<u>30,869</u>	-	<u>149,787</u>
Total liabilities	<u>1,773,373</u>	<u>31,290</u>	-	<u>1,804,663</u>
Net assets:				
Unrestricted	<u>4,822,588</u>	<u>76,909</u>	-	<u>4,899,497</u>
Total liabilities and net assets	<u>\$ 6,595,961</u>	<u>\$ 108,199</u>	<u>\$ -</u>	<u>\$ 6,704,160</u>

See accompanying notes to combining financial statements.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	River Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
Unrestricted Revenues, gains and other support:				
Federal and state grants	\$ 8,361,985	\$ -	\$ -	\$ 8,361,985
Local grants	2,467,224	-	-	2,467,224
Medicaid	1,185,966	-	-	1,185,966
Other grants	149,081	-	-	149,081
Program fees	1,008,161	-	-	1,008,161
Rental income	-	33,636	(33,636)	-
Miscellaneous income	62,864	80,189	-	143,053
Total unrestricted revenues, gains and other support	<u>13,235,281</u>	<u>113,825</u>	<u>(33,636)</u>	<u>13,315,470</u>
Expenses:				
Program services	11,153,250	-	(33,636)	11,119,614
Management and general	1,574,758	110,876	-	1,685,634
Total expenses	<u>12,728,008</u>	<u>110,876</u>	<u>(33,636)</u>	<u>12,805,248</u>
Change in net assets	507,273	2,949	-	510,222
Net assets, beginning of year	4,822,588	76,909	-	4,899,497
Net assets, end of year	<u>\$ 5,329,861</u>	<u>\$ 79,858</u>	<u>\$ -</u>	<u>\$ 5,409,719</u>

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	River Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Unrestricted Revenues, gains and other support:				
Federal and state grants	\$ 8,067,557	\$ -	\$ -	\$ 8,067,557
Local grants	2,656,041	-	-	2,656,041
Medicaid	981,535	-	-	981,535
Other grants	126,783	-	-	126,783
Program fees	829,245	-	-	829,245
Rental income	-	33,636	(33,636)	-
Miscellaneous income	72,891	66,444	-	139,335
Total unrestricted revenues, gains and other support	<u>12,734,052</u>	<u>100,080</u>	<u>(33,636)</u>	<u>12,800,496</u>
Expenses:				
Program services	10,847,352	-	(33,636)	10,813,716
Management and general	1,216,252	99,429	-	1,315,681
Total expenses	<u>12,063,604</u>	<u>99,429</u>	<u>(33,636)</u>	<u>12,129,397</u>
Change in net assets	670,448	651	-	671,099
Net assets, beginning of year	4,152,140	76,258	-	4,228,398
Net assets, end of year	<u>\$ 4,822,588</u>	<u>\$ 76,909</u>	<u>\$ -</u>	<u>\$ 4,899,497</u>

See accompanying notes to combining financial statements.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

COMBINING STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

	River Region Human Services, Inc.				
	Program Services	Management and General	River Region Foundation, Inc.	Elimination	Total
Salaries and related expenses:					
Salaries	\$ 6,138,863	\$ 730,801	\$ -	\$ -	\$ 6,869,664
Payroll taxes	450,865	46,685	-	-	497,550
Fringe benefits	883,072	166,172	-	-	1,049,244
Total salaries and related expenses	7,472,800	943,658	-	-	8,416,458
Expenses:					
Building occupancy	840,259	78,773	-	-	919,032
Professional services	649,134	153,442	-	-	802,576
Travel	151,071	19,708	-	-	170,779
Equipment costs	228,927	13,168	-	(33,636)	208,459
Food services	264,945	463	-	-	265,408
Medical pharmacy	258,608	2,323	-	-	260,931
Subcontracted services	14,953	15,895	-	-	30,848
Insurance	81,751	26,354	-	-	108,105
Promotions and meetings	7,226	17,190	-	-	24,416
Interest and bank charges	4,636	17,575	3,442	-	25,653
Operating supplies and expenses	920,346	251,843	77,433	-	1,249,622
Total expenses before depreciation	10,894,656	1,540,392	80,875	(33,636)	12,482,287
Depreciation	258,594	34,366	30,001	-	322,961
Total expenses	<u>\$ 11,153,250</u>	<u>\$ 1,574,758</u>	<u>\$ 110,876</u>	<u>\$ (33,636)</u>	<u>\$ 12,805,248</u>

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
COMBINING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2009

	River Region Human Services, Inc.		River Region Foundation, Inc.	Elimination	Total
	Program Services	Management and General			
Salaries and related expenses:					
Salaries	\$ 6,009,969	\$ 565,833	\$ -	\$ -	\$ 6,575,802
Payroll taxes	440,909	37,605	-	-	478,514
Fringe benefits	874,477	98,053	-	-	972,530
Total salaries and related expenses	7,325,355	701,491	-	-	8,026,846
Expenses:					
Building occupancy	939,769	4,487	-	-	944,256
Professional services	502,419	169,986	-	-	672,405
Travel	139,789	21,876	-	-	161,665
Equipment costs	199,302	36,682	-	(33,636)	202,348
Food services	256,480	62	-	-	256,542
Medical pharmacy	262,404	200	-	-	262,604
Subcontracted services	22,625	2,587	-	-	25,212
Insurance	130,186	37,197	-	-	167,383
Promotions and meetings	3,361	10,828	-	-	14,189
Interest and bank charges	4,273	991	3,124	-	8,388
Operating supplies and expenses	852,193	203,453	74,815	-	1,130,461
Total expenses before depreciation and amortization	10,638,156	1,189,840	77,939	(33,636)	11,872,299
Depreciation and amortization	209,196	26,412	21,490	-	257,098
Total expenses	<u>\$ 10,847,352</u>	<u>\$ 1,216,252</u>	<u>\$ 99,429</u>	<u>\$ (33,636)</u>	<u>\$ 12,129,397</u>

See accompanying notes to combining financial statements.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010

	Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
Cash flows from operating activities:				
Change in net assets	\$ 507,273	\$ 2,949	\$ -	\$ 510,222
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization	292,960	30,001	-	322,961
Loss on disposal of assets	56,777	(8,004)	-	48,773
Forgiveness of SHIP loan	(50,000)	-	-	(50,000)
Realized and unrealized gain on investments, net	(9,035)	-	-	(9,035)
Net changes in:				
Accounts receivable - grants	(406,267)	-	-	(406,267)
Inventory	14,401	-	-	14,401
Prepaid expenses and other assets	4,087	(2,000)	-	2,087
Accounts payable and accrued liabilities	406,887	(421)	-	406,466
Tenant deposits	1,400	-	-	1,400
Net cash provided by operating activities	<u>818,483</u>	<u>22,525</u>	<u>-</u>	<u>841,008</u>
Cash flows from investing activities:				
Purchases of investments	(53,252)	-	-	(53,252)
Proceeds from sale of land, buildings and equipment	-	28,732	-	28,732
Purchases of land, buildings and equipment	<u>(1,193,816)</u>	<u>(93,248)</u>	<u>-</u>	<u>(1,287,064)</u>
Net cash used by investing activities	<u>(1,247,068)</u>	<u>(64,516)</u>	<u>-</u>	<u>(1,311,584)</u>
Cash flows from financing activities:				
Proceeds from notes payable	750,000	69,747	-	819,747
Payments on notes payable	(58,197)	(32,080)	-	(90,277)
Net payments on the lines of credit	<u>(464,947)</u>	<u>-</u>	<u>-</u>	<u>(464,947)</u>
Net cash provided by financing activities	<u>226,856</u>	<u>37,667</u>	<u>-</u>	<u>264,523</u>
Net decrease in cash and cash equivalents	(201,729)	(4,324)	-	(206,053)
Cash and cash equivalents, beginning of year	<u>1,786,770</u>	<u>63,069</u>	<u>-</u>	<u>1,849,839</u>
Cash and cash equivalents, end of year	<u>\$ 1,585,041</u>	<u>\$ 58,745</u>	<u>\$ -</u>	<u>\$ 1,643,786</u>
Supplemental disclosure:				
Cash paid for interest	<u>\$ 22,210</u>	<u>\$ 3,442</u>	<u>\$ -</u>	<u>\$ 25,652</u>

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009

	Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
Cash flows from operating activities:				
Change in net assets	\$ 670,448	\$ 651	\$ -	\$ 671,099
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization	235,608	21,490	-	257,098
Loss on disposal of assets	27	-	-	27
Net changes in:				
Accounts receivable - grants	(130,281)	-	-	(130,281)
Inventory	(4,665)	-	-	(4,665)
Prepaid expenses and other assets	32,709	-	-	32,709
Accounts payable and accrued liabilities	111,013	(573)	-	110,440
Net cash provided by operating activities	<u>914,859</u>	<u>21,568</u>	<u>-</u>	<u>936,427</u>
 Cash flows from investing activities:				
Purchases of land, buildings and equipment	<u>(2,050,024)</u>	<u>(8,597)</u>	<u>-</u>	<u>(2,058,621)</u>
 Cash flows from financing activities:				
Advances on line of credit	995,559	-	-	995,559
Payments on notes payable and capital leases	<u>(65,953)</u>	<u>(20,613)</u>	<u>-</u>	<u>(86,566)</u>
Net cash (used) provided by financing activities	<u>929,606</u>	<u>(20,613)</u>	<u>-</u>	<u>908,993</u>
 Net decrease in cash and cash equivalents	(205,559)	(7,642)	-	(213,201)
 Cash and cash equivalents, beginning of year	<u>1,992,329</u>	<u>70,711</u>	<u>-</u>	<u>2,063,040</u>
Cash and cash equivalents, end of year	<u>\$ 1,786,770</u>	<u>\$ 63,069</u>	<u>\$ -</u>	<u>\$ 1,849,839</u>
 Supplemental disclosure:				
Cash paid for interest	<u>\$ 37,584</u>	<u>\$ 3,124</u>	<u>\$ -</u>	<u>\$ 40,708</u>

See accompanying notes to combining financial statements.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

1. Nature of Business

River Region Human Services, Inc. is a not-for-profit organization incorporated under the laws of the State of Florida. River Region Human Services, Inc. provides services to the greater Jacksonville area, that focus on assisting persons in developing and maintaining a functional independent lifestyle free from the use of dependency-producing drugs, the debilitating effects of mental disorders, the commission of antisocial and criminal activities; and the ravages of sexually transmitted diseases by delivering an effective and coordinated continuum of education, prevention and treatment programs supported by medical and social services responsive to the needs of the clients.

River Region Foundation, Inc., (the “Foundation”) is a not-for-profit organization which provides financial and other support services and programs to River Region Human Services, Inc., (collectively the “Organization”).

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Organization is presented to assist in understanding the combining financial statements. The combining financial statements and accompanying notes are representations of the Organization’s management. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the presentation of the combining financial statements.

Use of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Combination

The combining statements include the accounts of River Region Human Services, Inc. and River Region Foundation, Inc. All significant intercompany accounts and transactions have been eliminated.

Financial Statement Presentation

In accordance with authoritative guidance, 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. At June 30, 2010 and 2009, there were no temporarily or permanently restricted net assets.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization had \$1 million in cash equivalents at June 20, 2009 (zero at June 30, 2010). The Organization places its cash and temporary cash investments with FDIC insured financial institutions. At times such investments may be in excess of the FDIC insurance limits. The Organization does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated net of an allowance for doubtful accounts. Management evaluates total accounts receivable, and includes in the allowance for doubtful accounts an estimate of losses to be sustained. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is remote. The allowance for doubtful accounts was zero at June 30, 2010 and 2009.

Inventory

Inventory consists of medical supplies and is stated at lower of cost or market determined by the first-in first-out method.

Land, Buildings and Equipment

Land, building and equipment are recorded at cost and any purchases in excess of \$500 are capitalized. Donations of property and equipment are recorded as contributions at their estimated fair market value. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are eliminated, and any gain or loss is included in operations.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements recorded at the inception of the lease are depreciated over the life of the lease, or the useful life of the improvement, whichever is shorter; for improvements made during the lease term, the depreciation period is the shorter of the useful life or the remaining lease term (including any renewal periods that are deemed to be reasonable assured). Asset lives for financial statement reporting of depreciation are:

Buildings and improvements	10 - 39 years
Leasehold improvements	5 - 10 years
Furniture and fixtures	2 - 7 years
Vehicles	5 years
Computers and equipment	2 - 5 years

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

2. Summary of Significant Accounting Policies (Continued)

Goodwill

Goodwill of \$31,669 related to the acquisition of a drug testing business in 2006. It was amortized straight-line over the three year period ending June 30, 2009. Amortization expense amounted to \$10,553 for the year ended June 30, 2009.

Restricted and Unrestricted Revenue and Support

In accordance with authoritative guidance, 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.

Income Taxes

Effective July 1, 2009, the Organization adopted authoritative guidance that requires the Organization to evaluate its tax positions for any uncertainties based on the technical merits of the position taken. The Foundation recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities.

Both organizations are private not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively.

Contributions - In-Kind

Donated assets and administrative costs are reflected as contributions in the accompanying statements at their fair value at the date of receipt. There were no in-kind contributions during 2010 or 2009.

A substantial number of volunteers have donated significant amounts of their time to the Organization. No amounts have been reflected in the statements for contributed services since the contribution of services did not create or enhance non-financial assets or require specialized skills. When professional services are donated, in-kind values are recorded as contributions.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

2. Summary of Significant Accounting Policies (Continued)

Public Support

Public support revenues from government grants 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.

Net Patient Service Revenue

Net patient service revenue included in program fees is recorded at standard rates which are reduced by allowances based upon the patient's financial capabilities and by amounts estimated by management to be non-reimbursable by third-party payers and state programs under the provisions of applicable program payment arrangements. Final determination of amounts earned is subject to third-party payer audit and retroactive adjustment.

Functional Expense Allocation

The costs of providing program and management activities have been summarized on a functional basis in the combining statement of activities and the combining statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subcontractor Fees

Subcontractors with whom the Organization conducts business are deemed to be vendor relationships.

Reclassifications

Certain reclassifications have been made to the 2009 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

The Organization has evaluated events through the date of the report of the independent certified public accountants, the date the financial statements were available to be issued.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

3. Lease Commitments

The Organization leases certain equipment and facilities under non-cancelable operating lease agreements that expire at various dates as follows:

Lease Location/Description	Lease Payment	Expiration Date
390 Park Street	\$15,156/month	March 30, 2012
Lem Turner	3,353/month	Month-to-month
Neptune Beach	2,350/month	Month-to-month
Reyko Road	13,357/month	February 28, 2018
Copier equipment	5,044/month	June 15, 2013
Postage meter	146/month	October 31, 2010
Computer equipment	5,963/year	October 30, 2011

Future minimum lease payments under non-cancelable leases with initial or remaining lease terms in excess of one year consisted of the following at June 30, 2010:

2011	\$ 475,995
2012	382,825
2013	218,734
2014	160,284
2015	160,284
Thereafter	<u>427,424</u>
Total minimum lease payments	<u>\$ 1,825,546</u>

During the years ended June 30, 2010 and 2009, the Organization incurred expense under these leases of \$544,431 and \$537,043, respectively. This expense is included in building occupancy and equipment costs in the combining statements of functional expenses.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

4. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Land	\$ 681,799	\$ 570,000
Buildings and improvements	3,066,309	782,006
Leasehold improvements	610,359	759,665
Furniture and equipment	1,034,262	1,094,485
Vehicles	248,517	264,107
Construction in progress	551,495	1,841,332
Total property and equipment	6,192,741	5,311,595
Less: accumulated depreciation	<u>(1,511,484)</u>	<u>(1,516,936)</u>
Property and equipment, net	<u>\$ 4,681,257</u>	<u>\$ 3,794,659</u>

Construction in progress relates to the construction of a 32-bed homeless housing facility at June 30, 2009, and a community center at June 30, 2010.

5. Fair Value Measurements

Authoritative guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

5. Fair Value Measurements (Continued)

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2010 and 2009.

- *Mutual funds*: Valued at the net asset value of the shares held by the Organization at year end.
- *Interest accumulation account*: Valued at cost, which approximates fair value, plus interest earned.

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

Effective for 2010, the Organization adopted authoritative guidance that expands the disclosures, and requires that the major category for debt and equity securities in the fair value hierarchy table below be determined on the basis of the nature and risks of the investment. The guidance is to be applied prospectively.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at June 30, 2010:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equity	\$ 79,507	\$ -	\$ -	\$ 79,507
Retirement	13,835	-	-	13,835
Interest accumulation account	66,930	-	-	66,930
Total assets at fair value	\$ 160,272	\$ -	\$ -	\$ 160,272

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at June 30, 2009:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 52,938	\$ -	\$ -	\$ 52,938
Interest accumulation account	45,047	-	-	45,047
Total assets at fair value	\$ 97,985	\$ -	\$ -	\$ 97,985

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

6. Notes payable

Notes payable consisted of the following at June 30:

	2010	2009
Note payable to Ford Motor Credit, payable in monthly installments of \$442 including interest at 9.87%, final payment made on September 21, 2010; secured by 2005 Ford Freestar.	\$ 1,303	\$ 6,203
Note payable to Ford Motor Credit, payable in monthly installments of \$456, including interest at 9.89%, final payment made on July 26, 2010; secured by a 2005 Ford E350.	309	5,464
Note payable to Ford Motor Credit, payable in monthly installments of \$546 including interest at 10.19%, final payment made on August 8, 2011; secured by 2006 Ford E-350.	6,078	11,692
Note payable for building renovations in monthly installments of \$3,108 including interest at 8%, final payment due March 2012; secured by the renovations.	60,721	91,799
Note payable to CNL Bank, payable in monthly installments of \$767 per month, including interest at 6.5%, final payment due August 27, 2012; secured by a 2006 RV – HIV Program.	18,542	-
Note payable to Ford Motor Credit, payable in monthly installments of \$584 including interest at 8.49%, final payment due February 16, 2014; secured by a 2009 Ford E350.	22,338	-
Note payable to Ford Motor Credit, payable in monthly installments of \$522 including interest at 8.49%, final payment due March 16, 2014; secured by a 2009 Ford E350.	19,966	-
Note payable to Jacksonville Housing Trust Fund (SHIP program), forgiven at the rate of \$50,000 per year for 15 years, with the first \$50,000 forgiven in 2010.	700,000	-
Note payable to CNL Bank, payable in monthly installments of \$643 per month, including interest at 8%, final payment made on July 13, 2009; secured by Outreach - RV.	-	7,510
Note payable to CNL Bank, payable in monthly installments of \$3,128 including interest at 7.75%, final payment made on February 15, 2010; secured by various equipment.	-	27,119
Total notes payable	\$ 829,257	\$ 149,787

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

6. Notes payable (Continued)

Maturities of notes payable consisted of the following for the years subsequent to June 30, 2010:

2011	\$ 109,653
2012	96,816
2013	63,454
2014	59,334
2015	50,000
Thereafter	<u>450,000</u>
Total notes payable	<u>\$ 829,257</u>

In 2010, the Organization received a \$750,000 forgivable loan from the Jacksonville Housing Trust Fund (see above), through the SHIP program, to build and maintain single family homes for formerly homeless individuals. The terms of the loan require the Organization to continue to use the property for the stated purpose or the Organization will be in default and the loan will be due in full.

7. Related Party Transactions

Expenses for each of the years ended June 30, 2010 and 2009, include \$33,636 paid to the Foundation for equipment and vehicle rent which has been eliminated in the combining financial statements.

8. Matching Requirements

The Organization had a fixed price and unit of service contract that required cost sharing or match. The Organization received a portion of its support from the State of Florida, under contract number DDO33 with the Department of Children and Family Services. Income was recognized based on services provided. The contract required a 1/3 local match.

During the years ended June 30, 2010 and 2009, the required local match was as follows:

	<u>2010</u>	<u>2009</u>
Amount received or receivable requiring match	\$ 3,295,970	\$ 3,637,085
Match required - 1/3	<u>1,098,657</u>	<u>1,212,362</u>
Total	<u>\$ 4,394,627</u>	<u>\$ 4,849,447</u>

During the years ended June 30, 2010 and 2009, the Organization received \$2,390,324 and \$2,616,286, respectively, of local matching funds.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

9. Employment and Retiree Benefits

The Organization has a tax deferred annuity retirement plan. Under the provisions of the plan, eligible employees can elect to have a portion of their salary withheld and contributed to the plan. The Organization's contributions are a percentage of the participating employee's salary. Total contributions included in employee fringe benefits made by the Organization for the years ended June 30, 2010 and 2009, were \$262,292 and \$223,740, respectively.

The Organization also has a non-qualified, deferred compensation plan for the benefit of certain members of management. At June 30, 2010 and 2009, investments related to the plan of \$160,272 and \$97,985 respectively, are included on the statement of financial position, and the related liability is included in accrued liabilities. See note 5 for fair value measurements.

10. Dependency on Governmental Support

The Organization receives a substantial amount of support from federal, state and local governmental agencies. A reduction in the level of future support from the federal, state or local governmental agencies could have a substantial effect on the Organization's programs and activities.

11. Medicaid Reimbursement

Laws and regulations governing the Medicaid program are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid program.

12. Line of Credit

The Organization has an unfunded \$600,000 line of credit collateralized by the Organization's assets. The line of credit bears interest at prime (3.25% at June 30, 2010).

The Organization had a line of credit with CNL Bank for the construction of a 32-bed homeless housing facility, which was satisfied on November 13, 2009. This line of credit was secured by a \$1,000,000 certificate of deposit. Amounts outstanding accrued interest at 5%. Interest expense relating to this note in the amount of \$21,771 for the year ended June 30, 2009, was capitalized as construction in progress.

The Organization has a \$500,000 line of credit with CNL Bank for the construction of an 8-bed homeless housing facility with a balance of \$52,395 outstanding at June 30, 2010. The line is secured by the housing facility and requires interest only payments at 5% until maturity on December 19, 2010.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

12. Line of Credit (Continued)

The Organization also has a \$500,000 line of credit with CNL Bank for the purchase of a new facility for providing comprehensive mental health services to low and moderate income persons, with a balance of \$478,217 outstanding at June 30, 2010. The line is secured by this facility and requires interest only payments at 5% until maturity on December 22, 2010.

OTHER FINANCIAL INFORMATION

RIVER REGION HUMAN SERVICES, INC.
 SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
 YEAR ENDED JUNE 30, 2010

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	Period	CFDA CFSA Number	Pass - Through Grantors Numbers	Federal Expenditures	State Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
<i>Passed through Florida Department of Children and Family Services:</i>					
Block Grant for Prevention & Treatment of Substance Abuse (Children & Families)	7/1/09- 6/30/10	93.959	DD033	\$ 2,217,734	\$ 509,629
Temporary Assistance for Needy Families (TANF)	7/1/09- 6/30/10	93.558	DD033	327,711	11,169
				2,545,445	520,798
Sister Rise	09/30/08-9/28/11	93.243	1U79SP015073-01	345,978	-
Pregnant and Postpartum Women	09/30/08-9/28/11	93.243	1H79TI019596-01	548,336	-
				894,314	
<i>Passed through State of Florida Department of Health:</i>					
HIV Prevention Activities (Jail Linc)	12/1/09 - 6/30/10	93.917	DV056	49,910	-
HIV Testing and Counseling Initiative	1/1/09 - 9/29/09	93.940	DV938	15,972	-
HIV Testing and Counseling Initiative	9/30/09 - 9/29/10	93.940	DV938	38,552	-
Promise/B.A.R.T.	1/1/09 - 12/31/11	93.940	COD11	244,000	-
DOH Mobile Unit- ATTI	4/1/09 - 3/31/10	93.940	DV940	62,755	-
DOH Mobile Unit- RW	4/1/09 - 3/31/10	93.918	DV940	39,000	-
DOH Mobile Unit- RW	4/1/10 - 3/31/12	93.918	DV057	13,000	-
DOH Mobile Unit- AATI	4/1/10 - 9/29/10	93.940	DV058	18,750	-
				481,939	-
<i>Passed through the Minority AIDS Coalition:</i>					
CDC	7/1/09- 6/30/10	93.914	04064	59,107	-
				59,107	-
<i>Passed through the City of Jacksonville, Florida:</i>					
HIV Emergency Relief Project Grants (Ryan White)	3/1/09 - 2/28/10	93.914	5658.94	317,076	-
HIV Emergency Relief Project Grants (Ryan White)	3/1/10 - 2/28/11	93.914	9442.02	167,076	-
				484,152	-

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2010

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	Period	CFDA CFSA Number	Pass - Through Grantors Numbers	Federal Expenditures	State Expenditures
<i>Passed through the ESHC:</i>					
Homeless Housing Assistance Grant - (HHAG)	7/1/09 - 6/30/10	60.015	DFZ25	\$ 242,500	\$ -
				242,500	-
Small Business Administrative Grant	09/30/09-09/29/12	59.070	SBAHQ-09-B-0023	64,839	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
<i>Passed through the City of Jacksonville, Florida:</i>					
Supportive Housing Program					
Housing Opportunities for Person with AIDS (HOPWA SJHH)	10/1/08 - 9/30/09	14.241	5658-91	67,287	-
Housing Opportunities for Person with AIDS (HOPWA SJHH)	10/1/09 - 9/30/10	14.241	5658-91	164,469	-
Housing Opportunities for Person with AIDS (HOPWA ALF)	10/1/08 - 9/30/09	14.241	5658-91	30,556	-
Housing Opportunities for Person with AIDS (HOPWA ALF)	10/1/09 - 9/30/10	14.241	5658-91	178,114	-
SHAP	5/1/08 - 4/1/10	N/A	FL29B610017	111,465	-
SHAP	4/1/10 - 4/30/11	N/A	FL0322B4H100901	35,007	-
CHAMP	8/1/08 - 7/31/09	14.249	FL0134B4H100801	21,565	-
CHAMP	8/1/09 - 7/31/10	14.249	FL29B710016	215,650	-
CDBG	10/1/09 - 9/30/10	14.228	9442.05	307,675	-
				1,131,788	-
CITY MENTAL HEALTH AND WELFARE:					
<i>Passed through the City of Jacksonville, Florida:</i>					
Local Law Enforcement Block Grant Program (Drug Court)	10/1/08 - 9/30/09	16.560	N/A	43,674	-
Local Law Enforcement Block Grant Program (Drug Court)	10/1/09 - 9/30/10	16.560	N/A	68,135	-
Substance Abuse & MH Service Project- ADC	10/1/09 - 9/30/10	93.243	TI-09-003	137,310	-
				249,119	-

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2010

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	Period	CFDA CFSA Number	Pass - Through Grantors Numbers	Federal Expenditures	State Expenditures
STATE PROJECTS:					
Star SI	9/30/08 - 9/29/09	N/A	DO1224208	\$ -	\$ 5,166
SARG	7/13/09- 6/30/10	93.243	R01137	-	85,936
				<u>-</u>	<u>91,102</u>
FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES:					
Adult Community Mental Health Community Support Services	7/1/09 - 6/30/10	60.053	DD028	-	1,016,821
Substance Abuse Prevention Services for Children	7/1/09 - 6/30/10	60.029	DD028	-	197,238
Substance Abuse Treatment & Aftercare Services for Children	7/1/09 - 6/30/10	60.030	DD028	-	131,839
Substance Abuse Treatment & Aftercare Services for Adults	7/1/09 - 6/30/10	60.033	DD028	-	250,984
				<u>-</u>	<u>1,596,882</u>
Total expenditures of financial awards				<u>\$ 6,153,203</u>	<u>\$ 2,208,782</u>

See accompanying notes to schedule of financial awards

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
YEAR ENDED JUNE 30, 2010

1. Basis of Accounting

The accompanying schedule of expenditures of financial awards includes the federal and state activity of River Region Human Services, Inc. and River Region Foundation, Inc. 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 programs with expenditures of \$300,000 or more. All other programs are considered Type B.

2. Pass-through Awards

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

RIVER REGION HUMAN SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

Program Services

	Program Services									Management and General	Total	
	Case Management	Intervention	Methodone	Outpatient	Prevention	Residential	Adult Living Facilities	Corrections	Other Programs	Total Program Services		
Salaries	\$ 507,650	\$ 220,496	\$ 839,725	\$ 427,687	\$ 1,018,163	\$ 1,147,251	\$ 244,247	\$ 1,279,098	\$ 454,546	\$ 6,138,863	\$ 730,801	\$ 6,869,664
Payroll taxes	36,639	15,805	61,083	31,710	75,232	84,627	17,918	93,993	33,858	450,865	46,685	497,550
Fringe benefits	88,587	30,924	139,834	73,822	133,093	144,934	42,394	188,798	40,686	883,072	166,172	1,049,244
Total salaries and related services	<u>632,876</u>	<u>267,225</u>	<u>1,040,642</u>	<u>533,219</u>	<u>1,226,488</u>	<u>1,376,812</u>	<u>304,559</u>	<u>1,561,889</u>	<u>529,090</u>	<u>7,472,800</u>	<u>943,658</u>	<u>8,416,458</u>
Building occupancy	79,350	17,249	68,250	148,292	130,260	183,596	78,201	52,289	82,772	840,259	78,773	919,032
Professional services	83,193	1,900	168,402	32,586	201,642	113,099	12,960	19,113	16,239	649,134	153,442	802,576
Travel	15,029	7,877	9,071	14,752	31,865	20,444	281	31,112	20,640	151,071	19,708	170,779
Equipment costs	22,868	805	20,696	22,180	39,014	66,833	18,413	29,545	8,573	228,927	13,168	242,095
Food services	23,185	-	-	-	28,985	144,834	49,516	-	18,425	264,945	463	265,408
Medical pharmacy	-	-	214,531	-	540	20,410	-	4,813	18,314	258,608	2,323	260,931
Subcontracted services	1,156	330	1,903	1,321	2,394	2,744	711	3,174	1,220	14,953	15,895	30,848
Insurance	9,969	2,991	5,981	7,975	14,953	8,972	8,972	18,941	2,997	81,751	26,354	108,105
Conferences and meetings	206	51	374	32	614	1,228	969	3,686	66	7,226	17,190	24,416
Interest and bank charges	-	-	3,544	-	-	-	-	1,092	-	4,636	17,575	22,211
Operating supplies and expenses	118,079	32,492	33,833	19,285	58,179	83,145	5,771	137,938	431,624	920,346	251,843	1,172,189
Sub-total	<u>353,035</u>	<u>63,695</u>	<u>526,585</u>	<u>246,423</u>	<u>508,446</u>	<u>645,305</u>	<u>175,794</u>	<u>301,703</u>	<u>600,870</u>	<u>3,421,856</u>	<u>596,734</u>	<u>4,018,590</u>
Total expenses before depreciation	985,911	330,920	1,567,227	779,642	1,734,934	2,022,117	480,353	1,863,592	1,129,960	10,894,656	1,540,392	12,435,048
Depreciation	25,859	8,620	24,566	25,860	25,859	116,798	17,240	13,792	-	258,594	34,366	292,960
Total expenses	<u>\$ 1,011,770</u>	<u>\$ 339,540</u>	<u>\$ 1,591,793</u>	<u>\$ 805,502</u>	<u>\$ 1,760,793</u>	<u>\$ 2,138,915</u>	<u>\$ 497,593</u>	<u>\$ 1,877,384</u>	<u>\$ 1,129,960</u>	<u>\$ 11,153,250</u>	<u>\$ 1,574,758</u>	<u>\$ 12,728,008</u>

RIVER REGION HUMAN SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2009

Program Services

	Program Services									Management and General	Total	
	Case Management	Intervention	Methadone	Outpatient	Prevention	Residential	Adult Living Facilities	Corrections	Other Programs	Total Program Services		
Salaries	\$ 568,002	\$ 145,844	\$ 703,691	\$ 477,497	\$ 967,699	\$ 1,119,956	\$ 307,229	\$ 1,322,628	\$ 397,423	\$ 6,009,969	\$ 565,833	\$ 6,575,802
Payroll taxes	41,743	10,693	51,180	35,263	71,155	82,437	22,503	96,484	29,451	440,909	37,605	478,514
Fringe benefits	86,634	19,973	110,805	66,723	131,002	167,198	52,845	154,253	85,044	874,477	98,053	972,530
Total salaries and related services	<u>696,379</u>	<u>176,510</u>	<u>865,676</u>	<u>579,483</u>	<u>1,169,856</u>	<u>1,369,591</u>	<u>382,577</u>	<u>1,573,365</u>	<u>511,918</u>	<u>7,325,355</u>	<u>701,491</u>	<u>8,026,846</u>
Building occupancy	85,408	18,007	75,911	142,798	124,897	243,570	121,464	45,835	81,879	939,769	4,487	944,256
Professional services	72,139	11,288	127,181	28,288	144,333	59,056	9,885	25,061	25,188	502,419	169,986	672,405
Travel	16,992	1,374	11,855	13,406	23,940	16,880	-	36,663	18,679	139,789	21,876	161,665
Equipment costs	15,460	-	17,156	15,644	38,256	61,193	23,540	15,276	12,777	199,302	36,682	235,984
Food services	11,547	-	-	-	10,727	140,752	83,417	125	9,912	256,480	62	256,542
Medical pharmacy	170	295	211,465	-	5,232	18,306	1,084	2,161	23,691	262,404	200	262,604
Subcontracted services	1,739	473	2,505	1,860	3,438	3,719	1,110	4,473	3,308	22,625	2,587	25,212
Insurance	14,811	4,443	8,887	11,849	23,618	13,330	13,330	28,142	11,776	130,186	37,197	167,383
Conferences and meetings	-	-	407	43	1,817	689	-	150	255	3,361	10,828	14,189
Interest and bank charges	15	-	2,956	-	25	34	34	477	732	4,273	991	5,264
Operating supplies and expenses	140,170	25,844	31,249	14,485	61,973	57,239	5,867	171,116	344,250	852,193	203,453	1,055,646
Sub-total	<u>358,451</u>	<u>61,724</u>	<u>489,572</u>	<u>228,373</u>	<u>438,256</u>	<u>614,768</u>	<u>259,731</u>	<u>329,479</u>	<u>532,447</u>	<u>3,312,801</u>	<u>488,349</u>	<u>3,801,150</u>
Total expenses before depreciation and amortization	1,054,830	238,234	1,355,248	807,856	1,608,112	1,984,359	642,308	1,902,844	1,044,365	10,638,156	1,189,840	11,827,996
Depreciation	19,807	9,519	19,221	19,807	16,890	89,630	13,205	10,564	-	198,643	26,412	225,055
Amortization of goodwill	-	-	-	-	-	-	-	-	10,553	10,553	-	10,553
Total expenses	<u>\$ 1,074,637</u>	<u>\$ 247,753</u>	<u>\$ 1,374,469</u>	<u>\$ 827,663</u>	<u>\$ 1,625,002</u>	<u>\$ 2,073,989</u>	<u>\$ 655,513</u>	<u>\$ 1,913,408</u>	<u>\$ 1,054,918</u>	<u>\$ 10,847,352</u>	<u>\$ 1,216,252</u>	<u>\$ 12,063,604</u>

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF LOCAL GRANT PROGRAMS
 YEAR ENDED JUNE 30, 2010

Jacksonville Juvenile Drug Court Program (no budget amount or grant number)

City FY 2008-2009

Item	Budgeted	Actual 10/1/08- 6/30/09	Actual 7/1/09- 9/30/09	Total Actual	Remaining Balance
Salaries and wages	\$ -	\$ 147,530	\$ 35,870	\$ 183,400	\$ -
Total	<u>\$ -</u>	<u>\$ 147,530</u>	<u>\$ 35,870</u>	<u>\$ 183,400</u>	<u>\$ -</u>

City FY 2009-2010

Item	Budgeted	Actual 10/1/09- 6/30/10	Actual 7/1/10- 9/30/10	Total Actual	Remaining Balance
Salaries and wages	\$ -	\$ 95,585	\$ -	\$ 95,585	\$ -
Total	<u>\$ -</u>	<u>\$ 95,585</u>	<u>\$ -</u>	<u>\$ 95,585</u>	<u>\$ -</u>

Jacksonville Adult Drug Court Program (no budget amount or grant number)

City FY 2008-2009

Item	Budgeted	Actual 10/1/08- 6/30/09	Actual 7/1/09- 9/30/09	Total Actual	Remaining Balance
Salaries & wages	\$ -	\$ 201,171	\$ 43,674	\$ 244,845	\$ -
Total	<u>\$ -</u>	<u>\$ 201,171</u>	<u>\$ 43,674</u>	<u>\$ 244,845</u>	<u>\$ -</u>

City FY 2009-2010

Item	Budgeted	Actual 10/1/09- 6/30/10	Actual 7/1/10- 9/30/10	Total Actual	Remaining Balance
Salaries & wages	\$ -	\$ 68,135	\$ -	\$ 68,135	\$ -
Total	<u>\$ -</u>	<u>\$ 68,135</u>	<u>\$ -</u>	<u>\$ 68,135</u>	<u>\$ -</u>

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF LOCAL GRANT PROGRAMS
YEAR ENDED JUNE 30, 2010

City of Jacksonville Community Development Block Grant (CDBG)

<u>Receipt of Funds</u>	City FY 2009- 2010 Grant No. PDC 001
Amount of award (per city budget ordinance)	\$ 307,675
Actual funds received from city in last audit period	-
Actual amount received this period	<u>(307,675)</u>
Amount remaining to be distributed	<u><u>\$ -</u></u>

City FY 2009-2010 Grant No. PDC 001

Item	Budgeted	Actual 10/1/09- 6/30/10	Actual 7/1/10- 9/30/10	Total Actual	Remaining Balance
Purchase of real property	\$ 307,675	\$ 307,675	\$ -	\$ 307,675	\$ -
Total	<u>\$ 307,675</u>	<u>\$ 307,675</u>	<u>\$ -</u>	<u>\$ 307,675</u>	<u>\$ -</u>

City of Jacksonville Public Service Grant

<u>Receipt of Funds</u>	City FY 2009- 2010 Grant No. 5658-97
Amount of award (per city budget ordinance)	\$ 33,097
Actual funds received from city in last audit period	-
Actual amount received this period	<u>(26,418)</u>
Amount remaining to be distributed	<u><u>\$ 6,679</u></u>

City FY 2009-2010 Grant No. 5658-97 - \$33,097

Item	Budgeted	Actual 10/1/09- 6/30/10	Actual 7/1/10- 9/30/10	Total Actual	Remaining Balance
Salaries & wages	\$ 6,980	\$ 5,314	\$ -	\$ 5,314	\$ 1,666
Supplies	617	130	-	130	487
Direct client expense	<u>25,500</u>	<u>20,974</u>	<u>-</u>	<u>20,974</u>	<u>4,526</u>
Total	<u><u>\$ 33,097</u></u>	<u><u>\$ 26,418</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,418</u></u>	<u><u>\$ 6,679</u></u>

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF LOCAL GRANT PROGRAMS
 YEAR ENDED JUNE 30, 2010

City of Jacksonville Corrections Program

<u>Receipt of Funds</u>	City FY 2008- 2009 Grant No. 5658-89	City FY 2009- 2010 Grant No. 5658-89
Amount of award (per city budget ordinance)	\$ 1,444,428	\$ 1,487,761
Actual funds received from city in last audit period	(1,034,598)	-
Actual amount received this period	<u>(409,830)</u>	<u>(1,026,152)</u>
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 461,609</u>

City FY 2008-2009 Grant No.5658-89 - \$1,444,427.67

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/08- 6/30/09</u>	<u>Actual 7/1/09- 9/30/09</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 1,133,580	\$ 793,440	\$ 340,140	\$ 1,133,580	\$ -
Indirect cost	136,030	95,212	40,818	136,030	-
Equipment, materials, supplies	33,278	36,361	(3,083)	33,278	-
Aftercare	15,500	12,685	2,815	15,500	-
Special services	10,540	6,327	4,213	10,540	-
Client assistance	100,500	80,122	20,378	100,500	-
Training and mileage	<u>15,000</u>	<u>10,451</u>	<u>4,549</u>	<u>15,000</u>	<u>-</u>
Total	<u>\$ 1,444,428</u>	<u>\$ 1,034,598</u>	<u>\$ 409,830</u>	<u>\$ 1,444,428</u>	<u>\$ -</u>

City FY 2009-2010 Grant No.5658-89- \$1,487,760.50

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/09- 6/30/10</u>	<u>Actual 7/1/10- 9/30/10</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 1,144,904	\$ 786,973	\$ -	\$ 786,973	\$ 357,931
Indirect cost	137,388	94,439	-	94,439	42,949
Equipment, materials, supplies	34,764	44,221	-	44,221	(9,457)
Aftercare	20,500	13,993	-	13,993	6,507
Special services	14,540	6,968	-	6,968	7,572
Client assistance	116,665	68,941	-	68,941	47,724
Training and mileage	<u>19,000</u>	<u>10,617</u>	<u>-</u>	<u>10,617</u>	<u>8,383</u>
Total	<u>\$ 1,487,761</u>	<u>\$ 1,026,152</u>	<u>\$ -</u>	<u>\$ 1,026,152</u>	<u>\$ 461,609</u>

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF LOCAL GRANT PROGRAMS
YEAR ENDED JUNE 30, 2010

Case Management & Drop-in Services (City Match)

<u>Receipt of Funds</u>	City FY 2008- 2009 Grant No. 5658-93	City FY 2009- 2010 Grant No. 9442
Amount of award (per city budget ordinance)	\$ 45,543	\$ 43,622
Actual funds received from city in last audit period	(34,157)	-
Actual amount received this period	<u>(11,386)</u>	<u>(32,450)</u>
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 11,172</u>

City FY 2008-2009 Grant No.5658-93 - \$45,543

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/08- 6/30/09</u>	<u>Actual 7/1/09- 9/30/09</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 45,543	\$ 34,157	\$ 11,386	\$ 45,543	\$ -
Total	<u>\$ 45,543</u>	<u>\$ 34,157</u>	<u>\$ 11,386</u>	<u>\$ 45,543</u>	<u>\$ -</u>

City FY 2009-2010 Grant No.9442 - \$43,622

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/09- 6/30/10</u>	<u>Actual 7/1/10- 9/30/10</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 43,622	\$ 32,450	\$ -	\$ 32,450	\$ 11,172
Total	<u>\$ 43,622</u>	<u>\$ 32,450</u>	<u>\$ -</u>	<u>\$ 32,450</u>	<u>\$ 11,172</u>

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF LOCAL GRANT PROGRAMS
YEAR ENDED JUNE 30, 2010

City of Jacksonville Substance Abuse (City Match)

<u>Receipt of Funds</u>	City FY 2008- 2009 Grant No. 5658-92	City FY 2009- 2010 Grant No. 5358-99
Amount of award (per city budget ordinance)	\$ 624,574	\$ 593,345
Actual funds received from city in last audit period	(468,430)	-
Actual amount received this period	<u>(156,144)</u>	<u>(445,009)</u>
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 148,336</u>

City FY 2008-2009 Grant No. 5658-92-\$624,574

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/08- 6/30/09</u>	<u>Actual 7/1/09- 9/30/09</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 624,574	\$ 468,430	\$ 156,144	\$ 624,574	\$ -
Total	<u>\$ 624,574</u>	<u>\$ 468,430</u>	<u>\$ 156,144</u>	<u>\$ 624,574</u>	<u>\$ -</u>

City FY 2009-2010 Grant No. 5658-99-\$593,345

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/09- 6/30/10</u>	<u>Actual 7/1/10- 9/30/10</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 593,345	\$ 445,009	\$ -	\$ 445,009	\$ 148,336
Total	<u>\$ 593,345</u>	<u>\$ 445,009</u>	<u>\$ -</u>	<u>\$ 445,009</u>	<u>\$ 148,336</u>

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF LOCAL GRANT PROGRAMS
YEAR ENDED JUNE 30, 2010

Jacksonville Children's Commission Grant

<u>Receipt of Funds</u>	City FY 2008- 2009 Grant No. 5658-52	City FY 2009- 2010 Grant No. 5358-95
Amount of award (per city budget ordinance)	\$ 91,800	\$ 45,000
Actual funds received from city in last audit period	(48,000)	-
Actual amount received this period	(43,800)	(22,500)
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 22,500</u>

City FY 2008-2009 Grant No. 5658-52-\$96,000

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/08- 6/30/09</u>	<u>Actual 7/1/09- 9/30/09</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 91,800	\$ 48,000	\$ 43,800	\$ 91,800	\$ -
Total	<u>\$ 91,800</u>	<u>\$ 48,000</u>	<u>\$ 43,800</u>	<u>\$ 91,800</u>	<u>\$ -</u>

City FY 2009-2010 Grant No. 5658-95-\$45,000

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/09- 6/30/10</u>	<u>Actual 7/1/10- 9/30/10</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 45,000	\$ 22,500	\$ -	\$ 22,500	\$ 22,500
Total	<u>\$ 45,000</u>	<u>\$ 22,500</u>	<u>\$ -</u>	<u>\$ 22,500</u>	<u>\$ 22,500</u>



LBA CERTIFIED PUBLIC ACCOUNTANTS, PA

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of
River Region Human Services, Inc.
and River Region Foundation, Inc.
Jacksonville, Florida

We have audited the combining financial statements of River Region Human Services, Inc. and River Region Foundation, Inc. (collectively the "Organization") as of and for the year ended June 30, 2010, and have issued our report thereon October 26, 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 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in 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.

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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 management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LBA Certified Public Accountants, P.A.

October 26, 2010



LBA CERTIFIED PUBLIC ACCOUNTANTS, PA

**Independent Auditor’s Report on Compliance with Requirements That Could
Have a Direct and Material Effect on 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 of the State of Florida***

To the Board of Directors of
River Region Human Services, Inc.
and River Region Foundation, Inc.
Jacksonville, Florida

Compliance

We have audited the compliance of River Region Human Services, Inc. (a not-for-profit organization) and River Region Foundation, Inc. (a not-for-profit organization), (collectively, the “Organization”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the 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 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 of the State of Florida*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General of the State of Florida*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or a 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 on the Organization's compliance with those requirements.

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In our opinion, the Organization complied, in all material respects, with the 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General* of the State of Florida and which are described in the accompanying schedule of findings and questioned costs as items 2010-1, 2010-2, 2010-3, and 2010-4.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program or a 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* of the State of Florida, but not for the purposes 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 of compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1, 2010-2, 2010-3, and 2010-4. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Organization's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Organization's responses and, accordingly, we express no opinion on the responses.

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

LBA Certified Public Accountants, P.A.

October 26, 2010

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency(ies) identified, not considered to be material weakness(es)?	___ Yes <u>X</u> No
Control deficiency(ies) identified not considered to be significant deficiency(ies)?	___ Yes <u>X</u> No
Noncompliance material to financial statement noted?	___ Yes <u>X</u> No

Federal Awards and State Financial Assistance Section

Dollar Threshold used to determine Type A programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee for federal awards purposes?	<u>X</u> Yes ___ No
Auditee qualified as low-risk auditee for state financial assistance purposes?	<u>X</u> Yes ___ No
Type of auditor's report on compliance for major programs/projects:	<u>Unqualified</u>
Internal control over compliance:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency (ies) identified not considered to be material weakness(es)?	<u>X</u> Yes ___ No
Control deficiency(ies) identified, not considered to be significant deficiency(ies)?	___ 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, <i>Rules of the Auditor General</i> of the State of Florida	<u>X</u> Yes ___ No

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2010

Summary of Auditor's Results (Continued)

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grant for Prevention and Treatment of Substance Abuse
93.940	Promise/B.A.R.T.
93.558	Temporary Assistance for Needy Families
93.243	Pregnant and Postpartum Women
93.243	Sister Rise
14.241	Housing Opportunities for Persons with AIDS
14.228	CDBG Grant

Identification of major state projects:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
60.029	Substance Abuse Prevention Services for Children
60.030	Substance Abuse Treatment & Aftercare Services for Children
60.033	Substance Abuse Treatment & Aftercare Services for Adults
60.053	Adult Community Mental Health Community Support Services

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SUMMARY SCHEDULE OF FINDINGS - FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

There were no findings required to be reported.

There were no findings required to be reported to management through a comment letter.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2010

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2010-1 Sister Rise – CFDA 93.243, Pregnant and Postpartum Women – CFDA 93.423
Grant numbers: 1U79SP010573-01 – Year ending 9/28/2011
1H79TI019596-01 – Year ending 9/28/2011

Condition: From July 1, 2009 through September 30, 2009, exempt employees were not required to maintain time sheets, and hourly time sheets were not maintained at a level of detail to indicate specific time spent on individual grant programs. The salaries reported related to the grants noted above were based on the budgeted salary amounts for that time period.

Criteria: OMB Circular A-133 requires that allowable costs and activities of a non-profit be maintained in accordance with the cost principles of OMB Circular A-122. OMB Circular A-122 section 8m specifically requires that salaries and wages charged to awards be based on actual time employees worked on awards and be supported by timesheets that separately report the total time worked on each project and timed charged to leave. Salaries and wages charged to awards cannot be based on budgets or estimates.

Effect: The hours that were not documented in accordance with the cost principles of OMB A-122 Section 8m could be deemed unallowable by the funding source.

Cause: The time keeping system was not properly designed, in accordance with OMB A-122 Section 8m to support the salary reimbursement claimed.

Context: The amount of salaries charged under these grants from July 1, 2009 through September 30, 2009 was \$23,787 for Sister Rise and \$39,972 for Pregnant and Postpartum Women.

Auditor's Comment: We noted that beginning on October 1, 2009, all employees were required to keep time sheets with appropriate level of detail to comply with the cost principles of OMB A-122. Those salaries tested for October 1, 2009 through June 30, 2010 were supported by appropriate records.

Views of Responsible Officials and Planned Corrective Action Plans: The time keeping policies were updated starting on October 1, 2009 to be in compliance with cost principles of OMB A-122. Further beginning in September of 2010, an electronic time keeping system was implemented to automate the actual hours worked and require employees to accurately report their hours in a timely manner.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2010

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT passed through city of Jacksonville

Finding 2010-2 Housing Opportunities for Persons with Aids – CFDA 14.241
Grant number: 5658-91– Year ending 9/30/2010

Condition: From July 1, 2009 through September 30, 2009, exempt employees were not required to maintain time sheets, and hourly time sheets were not maintained at a level of detail to indicate specific time spent on individual grant programs. The salaries reported related to the grant noted above were based on the budgeted salary amounts for that time period.

Criteria: OMB Circular A-133 requires that allowable costs and activities of a non-profit be maintained in accordance with the cost principles of OMB Circular A-122. OMB Circular A-122 section 8m specifically requires that salaries and wages charged to awards be based on actual time employees worked on awards and be supported by timesheets that separately report the total time worked on each project and time charged to leave. Salaries and wages charged to awards cannot be based on budgets or estimates.

Effect: The hours that were not documented in accordance with the cost principles of OMB A-122 Section 8m could be deemed unallowable by the funding source.

Cause: The time keeping system was not properly designed, in accordance with OMB A-122 Section 8m to support the salary reimbursement claimed.

Context: The amount of salaries charged under this grant from July 1, 2009 through September 30, 2009 was \$43,328.

Auditor's Comment: We noted that beginning on October 1, 2009, all employees were required to keep time sheets with appropriate level of detail to comply with the cost principles of OMB A-122.

Views of Responsible Officials and Planned Corrective Action Plans: The time keeping policies were updated starting on October 1, 2009 to be in compliance with cost principles of OMB A-122. Further beginning in September of 2010, an electronic time keeping system was implemented to automate the actual hours worked and require employees to accurately report their hours in a timely manner.

Finding 2010-3 Housing Opportunities for Persons with Aids – CFDA 14.241
Grant number: 5658-91– Year ending 9/30/2010

Condition: As noted in Finding 2010-1, beginning October 1, 2009, River Region Human Services Inc.'s time keeping policies complied with the cost principles of OMB A-122 section 8m. During our testing of this documentation, instances occurred where the records did not support the salaries submitted for reimbursement.

Criteria: In accordance with cost principles noted in OMB A-122 salaries and wages charged to awards must be accurately supported by actual time sheets. Time in excess of the actual time spent per the time records should not be submitted for cost reimbursements.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2010

Finding 2010-3 (Continued)

Effect: The amount of salaries charged to the grant in excess of the actual time recorded could be deemed unallowable by the funding source.

Cause: The system implemented in October requested weekly time sheets be completed at the end of the week, and were failing to capture the actual time worked daily. We noted that the individuals consistently had the same hours reported to the grant each week during this time frame, which is inconsistent with how the individuals work schedule operates.

Context: The total salaries reported for the time period October 1, 2009 through June 30, 2010 were 43,328. Compliance testing reviewed \$13,894 in salaries and noted questioned costs of \$4,084.

Auditor's Recommendation: We recommend that the Organization institutes a system of controls that will allow for timely and accurate reporting of time worked, and time charged to the grant.

Views of Responsible Officials and Planned Corrective Action Plans: In September of 2010, an electronic time keeping system was put in place to further automate the actual hours worked and encourage employees to accurately report their hours in a timely manner.

DEPARTMENT OF HEALTH, passed through FLORIDA DEPARTMENT OF HEALTH

Finding 2010-4 Promise/B.A.R.T. – CFDA 93.940
Grant number: COD11– Year ending 12/31/2011

Condition: Three participants tested in the B.A.R.T. program did not have a completed program assessment questionnaire (“Questionnaire”) on file. The Questionnaire is required to assess the participant’s sexual behaviors, attitudes, and knowledge of HIV risk factors.

Criteria: The Florida Department of Health grant contract specifies that 100% of the B.A.R.T participants complete a Questionnaire designed by River Region Human Services, Inc. River Region Human Services, Inc. requires that Questionnaires be completed at the beginning of the cycle as a pre-test and at the end of the cycle as a post-test. Because not everyone completes the class, not everyone will have a post-test. Therefore we considered a completed pretest to comply with the requirement of the special provision.

Effect: The lack of 100% of Questionnaires on file is a violation of the special provision from the grant contract. It indicates a lack of internal control policies for monitoring the facilitators for each cycle for compliance with grant requirements. The Questionnaire is also the control procedure to verify the eligibility of the participant.

Cause: The facilitator of the 14th cycle of the B.A.R.T. program did not deliver and retrieve all Questionnaires to 100% of the participants in this cycle. The Questionnaire is required to assess the youth’s sexual behaviors, attitudes, and knowledge of HIV risk factors.

Context: A random sample of 30 B.A.R.T. participants, from 92 total participants, was chosen for testing. This sample covered 12 of the 30 cycles completed during the year ended June 30, 2010. Three participants, all from the 14th cycle, did not have Questionnaires on file.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2010

Finding 2010-4 (Continued)

Auditor's Recommendation: The Organization should develop a checklist that addresses all of the grant requirements. This checklist should be completed by the facilitator and reviewed timely by the program manager for completeness.

Views of Responsible Officials and Planned Corrective Action Plans: Effective October 1, 2010 a checklist that addresses all of the grant requirements will be completed by the facilitator and reviewed by the program manager for B.A.R.T. Any documentation for the grant requirement not completed by the facilitator will be immediately delivered to the participant and completed.

There were no additional findings required to be reported to management through a comment letter.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

There were no prior audit findings related to Federal Programs or State projects.

There were no prior audit findings related to Federal Programs or State projects that were required to be reported to management through a comment letter.