

TRI-COUNTY HUMAN SERVICES, INC.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Tri-County Human Services, Inc.
Lakeland, Florida

We have audited the accompanying statement of financial position of **Tri-County Human Services, Inc.**, (the "Agency", a not-for-profit organization) as of June 30, 2010 and the related statements of activities, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The prior year summarized comparative information included in the statement of functional expenses has been derived from the Agency's 2009 financial statements and, in our report dated August 20, 2009 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 **Tri-County Human Services, Inc.**, as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2010 on our consideration of **Tri-County Human Services, Inc.**'s internal control and its compliance with laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Our audit was performed for the purpose of forming an opinion on the financial statements of the Agency taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by the 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, and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is the responsibility of management and was derived from, and relates directly to, the underlying accounting records and other records used to prepare the financial statements. Other supplemental schedules are shown on pages 18 - 26, and are presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Baylin & Company PA

Certified Public Accountants
September 2, 2010



TRI-COUNTY HUMAN SERVICES, INC.
STATEMENT OF FINANCIAL POSITION

	June 30,	
	2010	2009
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$1,515,256	\$1,606,204
Grants receivable	1,406,474	1,356,225
Accounts receivable, net, Note A	42,401	61,033
Inventory	130,063	188,587
Prepaid expenses	123,639	43,676
Other current assets	6,954	6,954
	<hr/>	<hr/>
Total current assets	3,224,787	3,262,679
PROPERTY AND EQUIPMENT , net, Notes A and B	<hr/>	<hr/>
	4,208,256	4,197,326
TOTAL ASSETS	<hr/>	<hr/>
	\$7,433,043	\$7,460,005
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 921,234	\$ 865,362
Line of credit, Note C	-	-
Mortgage note payable, current portion	<hr/>	<hr/>
	127,823	107,717
	<hr/>	<hr/>
Total current liabilities	1,049,057	973,079
LONG TERM LIABILITIES , Note C	<hr/>	<hr/>
	1,479,755	1,582,702
	<hr/>	<hr/>
Total liabilities	2,528,812	2,555,781
 NET ASSETS		
Unrestricted, Note A		
Undesignated	2,303,553	2,397,317
Net investment in property and equipment	<hr/>	<hr/>
	2,600,678	2,506,907
	<hr/>	<hr/>
Total unrestricted	4,904,231	4,904,224
Temporarily restricted, Notes A and D	-	-
Permanently restricted, Note A	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Total net assets	4,904,231	4,904,224
TOTAL LIABILITIES AND NET ASSETS	<hr/>	<hr/>
	\$7,433,043	\$7,460,005

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

TRI-COUNTY HUMAN SERVICES, INC.

STATEMENT OF ACTIVITIES

	<u>Years Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
UNRESTRICTED SUPPORT AND REVENUE		
Support:		
Contributions	\$ 5,490	\$ 13,026
Contributions in kind, Note I	212,896	195,900
United Way	53,992	48,586
Special events	36,126	71,035
Net assets released from restrictions	-	-
Total support	<u>308,504</u>	<u>328,547</u>
Revenue:		
Net patient service revenue	708,657	904,802
Support services	583,110	484,867
State of Florida contract	7,144,905	6,220,079
Federal grants and contracts	118,781	104,149
Public grants and contracts	1,447,621	1,469,688
Interest	10,257	26,339
Rental income	34,957	46,016
Gain (loss) on disposal of assets	(2,401)	-
Miscellaneous	347,868	236,386
Total revenue	<u>10,393,755</u>	<u>9,492,326</u>
Total unrestricted support and revenue	<u>10,702,259</u>	<u>9,820,873</u>
UNRESTRICTED EXPENSES		
Program services:		
Adult mental health	288,240	285,217
Substance abuse – adult	5,343,971	5,174,986
Adolescent mental health	42,883	38,492
Substance abuse – adolescent	663,448	653,969
Other programs – adult	1,889,505	1,102,616
Total program	<u>8,228,047</u>	<u>7,255,280</u>
Supporting services:		
Support services	1,146,725	937,091
Management and general	1,304,284	1,243,975
Fund raising	23,196	52,351
Total supporting services	<u>2,474,205</u>	<u>2,233,417</u>
Total unrestricted expenses	<u>10,702,252</u>	<u>9,488,697</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 7</u>	<u>\$ 332,176</u>
TEMPORARILY RESTRICTED REVENUE		
DWUI/DWI program	495,510	537,964
Total temporarily restricted revenue	495,510	537,964
TEMPORARILY RESTRICTED EXPENSES		
DWUI/DWI program	495,510	545,760
Net assets released from restrictions	-	-
Total temporarily restricted expenses	495,510	545,760
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>\$ -</u>	<u>\$ (7,796)</u>
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	<u>\$ -</u>	<u>\$ -</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 7</u>	<u>\$ 324,380</u>

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

TRI-COUNTY HUMAN SERVICES, INC.
STATEMENT OF CHANGES IN NET ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
BALANCE, June 30, 2008	\$4,572,048	\$ 7,796	\$ -	\$4,579,844
Increase (decrease) in net assets	<u>332,176</u>	<u>(7,796)</u>	<u>-</u>	<u>324,380</u>
BALANCE, June 30, 2009	4,904,224	-	-	4,904,224
Increase (decrease) in net assets	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
BALANCE, June 30, 2010	<u>\$4,904,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,904,231</u>

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

TRI-COUNTY HUMAN SERVICES, INC.

STATEMENT OF CASH FLOWS

	<u>Years Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 7	\$ 324,380
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	193,631	166,592
(Gain) loss on disposal of assets	2,401	-
Allowance for uncollectible note receivable	-	-
Changes in operating assets and liabilities:		
(Increase) decrease in grants receivable	(50,249)	(513,996)
(Increase) decrease in accounts receivable	18,632	9,735
(Increase) decrease in inventory	58,524	(131,108)
(Increase) decrease in prepaid expenses and other current assets	(79,963)	23,265
Increase (decrease) in accounts payable and accrued expenses	55,872	(4)
	<u>198,855</u>	<u>(121,136)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Purchase of property and equipment	(206,962)	(388,942)
	<u>(206,962)</u>	<u>(388,942)</u>
FINANCING ACTIVITIES		
Long term borrowings	1,525,000	-
Principal payments on long term borrowings	(1,607,841)	(101,237)
	<u>(82,841)</u>	<u>(101,237)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	<u>(90,948)</u>	<u>(611,315)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,606,204</u>	<u>2,217,519</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,515,256</u>	<u>\$1,606,204</u>

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

TRI-COUNTY HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tri-County Human Services, Inc. (the "Agency") is a not-for-profit provider of evaluation, counseling and substance abuse treatment of individuals directly and under contract to various governmental and other third party payors. Tri-County Human Services, Inc. shall endeavor to provide an array of high quality human services consistent with the needs of the community. Services shall be provided in a cost effective, ethical, and professional manner and shall focus on improving the quality of life of persons served. The Board is self sustaining with members elected by existing members.

The Agency serves Polk, Hardee and Highlands counties. The Agency operates all of its programs with the philosophy that substance addiction is a primary, progressive, chronic, and ultimately fatal disease if left untreated. The Agency accepts the premise that substance addiction impacts all areas of an individual's life, including his/her interpersonal relationships, vocational/educational skills, emotional well-being, and physical health. The Agency does not adhere to any one etiological theory regarding substance addiction. On the contrary, our staff understands that addictive disorders are likely caused by a combination of several factors, including genetics, emotional/psychological influences, cultural attitudes, and behavioral reinforcement. The Agency's staff understands that substance addiction is a family illness in which each member of the affected individual's immediate and perhaps extended family is affected by the behaviors and attitudes of the addicted individual. In keeping with this philosophy, our treatment teams encourage family participation in the treatment process whenever possible.

The Agency recognizes that many of the individuals served by the Agency have a concurrent mental health problem. Like substance abuse disorders, mental health problems can cause severe dysfunction in an individual's life, especially in the areas of day-to-day living skills, interpersonal relationships, and vocational/educational skills. For these dually diagnosed clients, simultaneous treatment of both disorders is preferred. Residential treatment is available for dually diagnosed clients who have not responded favorably to outpatient treatment or whose symptom severity contraindicates outpatient care.

The Agency is licensed by the State of Florida as a provider of substance abuse prevention, intervention, and treatment services. Consistent with this licensure, agency programs and services are reviewed and audited annually by the State of Florida. The Agency's C.A.R.F. accreditation has been extended through 2013.

The Agency is funded through a variety of sources, including the United Way, Florida Department of Children and Families, State of Florida, The Community Foundation of Greater Lakeland, Polk, Hardee and Highlands counties, Central Florida Behavioral Health Network, Homeless Coalition, H.U.D. Funds, program fees, various fund raising events sponsored by the board of directors, federal and private grants, and private contributions.

TRI-COUNTY HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Accounting

The Agency utilizes the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. On January 30, 1991, the State of Florida, Department of Health and Rehabilitative Services published new alcohol, drug abuse and mental health services financial management standards. The standards indicated that accounting principles generally accepted in the United States of America should be followed in all reports filed with the department and in the annual audited financial statements and that most of the department's alcohol, drug abuse and mental health services providers should adopt the American Institute of Certified Public Accounting's guide, *Audits of Providers of Health Care Services*, as the primary source of specialized accounting principles. The guide and the department indicate the accrual basis of accounting is the only basis of accounting that is the generally accepted accounting principle for providers of health care services.

Unrestricted Net Assets

Unrestricted net assets consist of resources available for the various programs and administration of the Agency which have not been restricted by a donor or other outside party.

Net investment in property and equipment represents amounts expended for property and equipment used in the operations of the Agency, net of amounts borrowed, if any.

Undesignated net assets are available for the various programs and administration of the Agency.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of donor restricted contributions. Amounts restricted by the donor, grantor or other outside party for a particular purpose are deemed to be earned and are reported as temporarily restricted revenue when received and such unexpended amounts are reported as temporarily restricted net assets at year end. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue.

When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions".

TRI-COUNTY HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Temporarily Restricted Net Assets - Continued

Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise stipulated by the donor.

Permanently Restricted Net Assets

Permanently restricted net assets consist of donor restricted contributions which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes in accordance with donor stipulations. The Agency does not imply a time restriction on gifts of long-lived assets.

There are no permanently restricted net assets at June 30, 2010 and 2009.

Income Taxes

The Agency is a not-for-profit organization that is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Agency has also been classified as an entity that is not a private foundation with the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are patient obligations due for services rendered. The allowance for doubtful accounts is based on a combination of identified patient accounts believed to be uncollectible and on a percentage of aged receivables, based on historical experience. If actual collections experience changes, revisions to the allowance percentage are made. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available, management believes the allowance for doubtful accounts as of June 30, 2010 and 2009 are adequate. However, actual write-offs may exceed the recorded allowance.

TRI-COUNTY HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment

The Agency follows the state guidelines of capitalizing all expenditures of \$1,000 or more for property and equipment at cost; the fair market value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

Net Patient Service Revenue and Charity

The Agency provides care to all patients without regard to their ability to pay. Patients are charged on a sliding scale based on their ability to pay as determined by the Florida Department of Children and Family Services. Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors and others for services rendered since there is no pursuit of collection for the charges in excess of ability to pay or contractual agreement.

Financial Instruments and Credit Risk

The carrying amounts approximate fair value based on quoted market prices or discounted cash flow analyses for cash equivalents and other financial instruments. The Agency is subject to some credit risk through short-term cash investments which are placed with high credit quality financial institutions. At times cash equivalents may exceed the F.D.I.C. limits and other insured limits. At June 30, 2010 and 2009, the Agency exceeded F.D.I.C. and other insured limits by \$259,387 and \$254,852, respectively. The Agency has a repurchase agreement with a bank whereby their account is collateralized by securities owned by the Bank.

Concentration of Revenue Sources

About 65% of the Agency's revenue is derived from direct and indirect federal and state grants through the State of Florida Department of Children and Families, which are renewed annually. The current level of the Agency's operations and program services may be impacted or segments discontinued if funding is not renewed.

Inventory

Inventories of pharmaceutical drugs are carried at the lower of cost or market, using the first-in, first-out method of costing.

TRI-COUNTY HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash Equivalents

The Agency considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Interest received was \$10,257 and \$26,339 for the years ended June 30, 2010 and 2009, respectively.

Reclassification

Certain 2009 items may have been reclassified in order to conform with the 2010 financial statement presentation.

NOTE B - PROPERTY AND EQUIPMENT

A summary of property and equipment, at cost, as of June 30, 2010 and 2009, is as follows:

	<u>2010</u>	<u>2009</u>	<u>Estimated Useful Lives</u>
Land	\$ 528,938	\$ 528,938	-
Construction in progress	-	-	-
Buildings	2,503,052	2,489,337	5 - 30 years
Leasehold improvements	1,751,624	1,585,582	5 - 30 years
Machinery and equipment	864,168	872,376	5 - 10 years
Furniture and fixtures	22,588	22,588	5 - 10 years
	<u>5,670,370</u>	<u>5,498,821</u>	
Less accumulated depreciation	<u>(1,462,114)</u>	<u>(1,301,495)</u>	
Total	<u>\$ 4,208,256</u>	<u>\$ 4,197,326</u>	

Depreciation expense was \$193,631 and \$166,592 for the years ended June 30, 2010 and 2009, respectively.

Building improvements with a net book value of \$208,593 were acquired in 2008 with grant funds received from the Homeless Coalition of Polk County. Under terms of the grant agreement, any buildings/units constructed or rehabilitated using grant funds must be used to serve persons who are homeless for a minimum of 10 years. Any assets purchased or improved with grant funds must be reverted by the Agency to the Homeless Coalition if those assets are disposed of within 5 years of date of acquisition.

TRI-COUNTY HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2010

NOTE C - LONG TERM LIABILITIES

A summary of mortgage note payable as of June 30, 2010 and 2009, respectively, is as follows:

	<u>2010</u>	<u>2009</u>
Mortgage on New Administration Building – mortgage note payable to bank in 60 monthly installments of \$12,259, including interest at 4.25%, for the first year of the loan, and 5.25% for years 2-5, through September of 2014, collateralized by real estate with a book value of \$1,467,882. This loan was refinanced in 2010.	\$1,462,936	\$1,495,134
Mortgage on Renovation - mortgage note payable to bank in 60 monthly installments of \$4,825, including interest at 5.85%, through February of 2013, collateralized by real estate with a book value of \$215,008.	142,469	190,364
Vehicle loan payable to bank in 36 monthly installments of \$247, including interest at 6.00%, through March of 2011 collateralized by a vehicle with a book value of \$4,471.	<u>2,173</u>	<u>4,921</u>
	1,607,578	1,690,419
Less portion considered current	<u>(127,823)</u>	<u>(107,717)</u>
Total long term liabilities	<u>\$1,479,755</u>	<u>\$1,582,702</u>

As of the date of this report, the Agency is substantially in compliance with all terms of the loan agreements.

Annual maturities of long term debt for the next five years and thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 127,823
2012	129,894
2013	118,248
2014	84,540
2015	1,147,073
Thereafter	<u>-</u>
Total	<u>\$1,607,578</u>

TRI-COUNTY HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2010

NOTE C - LONG TERM LIABILITIES - CONTINUED

Line of Credit

The Agency has a line of credit up to \$500,000, secured by accounts receivable and equipment of which \$-0- was outstanding at June 30, 2010. Principal and interest would be due on demand, with interest based on the bank's prime rate.

Interest paid was \$116,317 and \$103,477 for the years ended June 30, 2010 and 2009, respectively.

**NOTE D - DWUI/DWI SCHEDULE OF ASSETS, LIABILITIES, NET ASSETS AND
ACTIVITY - TEMPORARILY RESTRICTED NET ASSETS**

	June 30,	
	2010	2009
ASSETS		
Current assets:		
Cash	\$ -	\$ -
Total current assets	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Due to Agency operating funds	\$ 74,014	\$ 21,783
Total current liabilities	74,014	21,783
Total liabilities	74,014	21,783
Net assets, unrestricted	(74,014)	(21,783)
Net assets, temporarily restricted	-	-
Total net assets	<u>(74,014)</u>	<u>(21,783)</u>
Total liabilities and net assets	<u>\$ -</u>	<u>\$ -</u>
REVENUE, EXPENSES AND CHANGE IN NET ASSETS		
Revenue	\$ 495,510	\$ 537,964
Expenses	547,741	567,543
Increase (decrease) in net assets	(52,231)	(29,579)
Net assets, beginning of year	(21,783)	7,796
Net assets, end of year	<u>\$(74,014)</u>	<u>\$(21,783)</u>

TRI-COUNTY HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2010

**NOTE D - DWUI/DWI SCHEDULE OF ASSETS, LIABILITIES, NET ASSETS AND
ACTIVITY - TEMPORARILY RESTRICTED NET ASSETS - CONTINUED**

During 2005, the Agency purchased a building for the use of administration and the DUI program. The DUI program was allocated a portion of the expenditures associated with the building. As required by Section 322.293, Florida Statutes, and Section 15A-10.012, Florida Administrative Code, the Agency collects a \$12 assessment fee on every client enrolling in its DUI program and remits the fee to the State of Florida. State assessment fees collected and distributed to the State of Florida are summarized as follows:

	June 30,	
	2010	2009
STATE ASSESSMENT FEES		
Fees due from prior year	\$ -	\$ -
Fees collected current year	25,948	25,092
Fee remitted current year	(25,948)	(25,092)
Fees due to state	<u>\$ -</u>	<u>\$ -</u>

Procedures have been developed and followed which adequately account for all DUI fees received by the program and all receipts issued by the Agency's DUI program.

The cost standards are reasonable and equitable as defined in Section 15A-10.014, Florida Administrative Code and the method for allocating indirect costs as defined in Note J is fair and equitable as defined in Section 15A-10.014, Florida Administrative Code. Contributions to the employee's profit sharing plan were 2% of eligible participant's salaries. In accordance with Section 15A-10.014, Florida Administrative Code, this contribution did not exceed the percentage of gross compensation contributed by the employer of members of the regular class of Florida Retirement System.

NOTE E - COMMITMENTS AND CONTINGENCIES

Lease expense

The Agency has a number of multi-year lease commitments on buildings, vehicles, and office equipment. Buildings, or space in buildings, are used for the Agency's administration and its community service programs. Space is provided at various locations in Highlands and Hardee counties for counseling services. Free use of facilities and other assets are recorded as in-kind contributions and as equipment and facilities expenses based on market square footage rental rates or equipment rental rates in the communities where facilities are located. Some of the leases are noncancelable. The lease payments range from \$47 to \$11,575 per month for a period of 12 - 63 months. The lease expense under these leases

TRI-COUNTY HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2010

NOTE E - COMMITMENTS AND CONTINGENCIES - CONTINUED

was \$256,925 and \$249,929 for the years ended June 30, 2010 and 2009, respectively.

Future minimum lease payments under the lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$52,731
2012	29,064
2013	3,522
2014	-
2015	-
Thereafter	-
Total	<u>\$85,317</u>

Lease income

During the year ended June 30, 2010, the Agency, as lessor, leased a portion of the administrative building under a multi-year operating lease agreement. The lease has two renewal options to renew for a period of five years each, with rental payment increases of the lesser of 3% or the increase in the Consumer Price Index, beginning the fourth lease year and for each year thereafter. The Agency has obtained a lien on certain real property owned by the lessee, as security for lease income under this agreement. The lease income under this lease was \$34,957 and \$46,016 for the years ended June 30, 2010 and 2009, respectively.

Future minimum lease income under this lease is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 54,324
2012	54,324
2013	55,003
2014	56,653
2015	58,352
Thereafter	<u>290,421</u>
Total	<u>\$569,077</u>

TRI-COUNTY HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2010

NOTE E - COMMITMENTS AND CONTINGENCIES - CONTINUED

Other

The Agency participates in a number of federal and state programs, which are subject to financial and compliance audits by the grantors or their representatives. The audits of all programs for or including the year ended June 30, 2010, have not been completed. The amount, if any, of expenditures which may be disallowed by the grantor agencies, cannot be determined at this time although the Agency expects such amounts, if any, to be immaterial.

Subsequent Events

Management has evaluated subsequent events through September 2, 2010, the date which the financial statements were available for issue and has determined that there are no additional adjustments and/or disclosures required.

NOTE F - COMPENSATED ABSENCES

The Agency's liability for compensated absences was \$360,519 and \$345,489 which was included in accounts payable and accrued expenses as of June 30, 2010 and 2009, respectively. This represents amounts owed to employees under the Agency's accrued time off (ATO) policy. The Agency's policy is an employee may carryover up to a maximum of 40 days unused ATO each year.

NOTE G - DEFINED CONTRIBUTION PLAN

The Agency has a The Tri-County Human Services, Inc. Profit Sharing Plan which is a defined contribution pension plan that was established by the Agency in 1999 to provide benefits at retirement to substantially all employees of the Agency. Employees become eligible for participation in the plan after attainment of age 18 and one year of full-time service. Plan benefits vest at a rate of 20% per year and become fully vested after 6 years of service. At June 30, 2010 and 2009 there were 210 and 293, respectively, plan participants. Employer contributions are discretionary and are determined annually by the board of directors. For the years ended June 30, 2010 and 2009, contributions totaled \$119,820 and \$117,467, respectively. At June 30, 2010 and 2009, the Agency has a payable to the Plan of \$4,094 and \$5,537, respectively. For the years ended June 30, 2010 and 2009, fees incurred and paid for the Plan were \$-0- and \$-0-, respectively.

TRI-COUNTY HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2010

NOTE H - RELATED PARTIES

The Agency receives state grant funds from Central Florida Behavioral Health Network (CFBHN), for which the executive director serves on the board of directors. Receipts from CFBHN were \$555,791 and \$382,461, net of a 5% and 12% administration fee, for 2010 and 2009, respectively.

A board member who is a realtor may, from time to time, receive commissions upon the leasing of office space at the Agency's administrative office building.

NOTE I - CONTRIBUTED MATERIALS, EQUIPMENT AND SERVICES

A number of volunteers have donated significant amounts of their time to the Agency's administrative services and fund raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services are not professional in nature, and, as such, do not meet the criteria for recognition as contributed services.

Donated materials and space received as donations, if any, are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. The Agency received \$212,896 and \$195,900 in donated material and space for the years ended June 30, 2010 and 2009, respectively.

NOTE J - ALLOCATION OF INDIRECT COSTS AND FUNCTIONAL ALLOCATION OF EXPENSES

The alcohol, drug abuse and mental health services financial management standards provided a new chart of accounts structure and allocation methodology designed to promote the fair and reasonable allocation of total costs to all functions or programs. All direct costs are allocated directly. Support costs and administrative costs (indirect costs) which cannot be directly allocated are allocated, by one or more distribution bases, appropriate to the costs and clearly represent a reasonable basis for allocating among the benefiting functions or programs. Administrative costs with no more reasonable basis for allocation are distributed based on the relationship of the cost center's total costs to all cost centers accumulated costs. Each provider must submit to the Department of Children and Family Services with its budget for prior approval a plan for cost allocations in the budget year. The statement of functional expenses is presented only for the year ended June 30, 2010, with comparative totals for the year ended June 30, 2009.

OTHER FINANCIAL INFORMATION

TRI-COUNTY HUMAN SERVICES, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

**YEAR ENDED JUNE 30, 2010, WITH COMPARATIVE
TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

Expenses	Adolescent Mental Health				Substance Abuse - Adolescent							Pysch & Medical Services	Total Substance Abuse Adolescent	
	Total Substance Abuse-Adult	Peer Specialist	FIS Services	Mental Health Services	Outpatient	Case Management	Prevention	Prevention/ Intervention	Outreach	Assessment	Intervention			Aftercare
Personnel services:														
Salaries	\$ 3,258,301	\$ 21,310	\$ 8,944	\$ 30,254	\$ 7,927	\$ 11,690	\$ 161,413	\$ 105,289	\$ 6,154	\$ 14,418	\$ 32,701	\$ 79	\$ -	\$ 339,671
Fringes	644,368	1,630	1,914	3,544	5,919	894	33,161	22,800	471	1,103	2,502	6	-	66,856
Total personnel	3,902,669	22,940	10,858	33,798	13,846	12,584	194,574	128,089	6,625	15,521	35,203	85	-	406,527
Operating:														
Building occupancy	507,399	-	-	-	9,429	-	1,179	249	-	-	-	-	-	10,857
Professional services	84,311	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	36,671	2,158	814	2,972	1,550	-	8,955	262	-	-	-	-	-	10,767
Equipment costs	58,797	-	-	-	27	-	253	-	-	-	-	-	-	280
Food services	137,899	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical & pharmacy	168,970	-	-	-	6,700	-	35	-	-	-	-	-	-	6,735
Subcontract services	153,390	5,400	-	5,400	2,797	-	2,608	1,413	-	-	-	-	-	6,818
Insurance	107,859	-	90	90	1,455	-	3,126	1,722	-	-	-	-	-	6,303
Interest	8,960	-	-	-	539	-	-	-	-	-	-	-	-	539
Operating supplies	116,948	333	290	623	2,945	-	7,894	2,512	-	-	-	-	-	13,351
Other	46,306	-	-	-	1,025	-	-	-	-	-	-	-	-	1,025
Donated items	11,792	-	-	-	-	-	78,233	122,013	-	-	-	-	-	200,246
Total operating	1,441,302	7,891	1,194	9,085	26,467	-	102,283	128,171	-	-	-	-	-	256,921
Total personnel and operating	5,343,971	30,831	12,052	42,883	40,313	12,584	296,857	256,260	6,625	15,521	35,203	85	-	663,448
Indirect:														
Administration	954,194	-	2,124	2,124	7,105	-	52,320	45,165	-	-	-	-	-	104,590
Total expenses	\$ 6,298,165	\$ 30,831	\$ 14,176	\$ 45,007	\$ 47,418	\$ 12,584	\$ 349,177	\$ 301,425	\$ 6,625	\$ 15,521	\$ 35,203	\$ 85	\$ -	\$ 768,038

TRI-COUNTY HUMAN SERVICES, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

**YEAR ENDED JUNE 30, 2010, WITH COMPARATIVE
TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

Expenses	Other Programs - Adult										2009 Total Expenses	
	Bradley Junction	HUD Contract 1	HUD Contract 2	HUD Contract 3	The Rez	DUI	Non-ADM	Total Other Programs Adult	Support Services	Management and General		Fund Raising
Personnel services:												
Salaries	\$ -	\$ 13,889	\$ 11,597	\$ 5,588	\$ -	\$ 299,530	\$ 392,697	\$ 723,301	\$ 332,903	\$ 783,089	\$ -	\$ 5,670,593
Fringes	-	4,118	3,814	597	-	62,559	97,223	168,311	45,034	186,449	-	1,146,305
Total personnel	-	18,007	15,411	6,185	-	362,089	489,920	891,612	377,937	969,538	-	6,850,696
Operating:												
Building occupancy	-	-	-	-	9,711	27,763	733	38,207	64,302	59,021	-	686,682
Professional services	-	-	-	-	-	-	-	-	-	35,667	-	120,728
Travel	-	1,397	1,316	662	-	5,411	3,630	12,416	1,572	11,687	-	85,438
Equipment costs	-	15	-	-	2,037	12,463	3,521	18,036	57,761	38,216	855	175,159
Food services	-	-	-	-	-	-	-	-	212,253	-	-	365,148
Medical & pharmacy	-	-	-	-	-	78	1,078	1,156	331,276	1,062	-	511,121
Subcontract services	712,500	-	-	128	266	8,746	11,422	733,062	13,880	42,097	-	960,796
Insurance	-	247	242	53	1,579	8,693	6,843	17,657	20,087	26,958	-	182,698
Interest	-	-	-	-	-	12,082	-	12,082	47,407	40,159	-	113,147
Operating supplies	-	286	30	177	1,323	28,042	11,966	41,824	19,415	84,804	2,539	286,164
Other	-	46,453	34,180	13,591	6	302	28,921	123,453	835	(4,925)	19,802	196,235
Donated items	-	-	-	-	-	-	-	-	-	-	-	212,038
Total operating	712,500	48,398	35,768	14,611	14,922	103,580	68,114	997,893	768,788	334,746	23,196	3,894,439
Total personnel and operating	712,500	66,405	51,179	20,796	14,922	465,669	558,034	1,889,505	1,146,725	1,304,284	23,196	10,702,252
Indirect:												
Administration	-	-	-	-	2,630	82,072	98,351	183,053	-	(1,304,284)	4,088	-
Total expenses	\$ 712,500	\$ 66,405	\$ 51,179	\$ 20,796	\$ 17,552	\$ 547,741	\$ 656,385	\$ 2,072,558	\$ 1,146,725	\$ -	\$ 27,284	\$ 10,702,252

TRI-COUNTY HUMAN SERVICES, INC.

SCHEDULE OF FUNDING AND REVENUE SOURCES

YEAR ENDED JUNE 30, 2010

Substance Abuse - Adult

Adult Mental Health

	SPMI	Peer Spec	DCF - Jasa	Path	Total Adult Mental Health	Outpatient	Case Management	Substance Abuse Residential	Residential Level 2	Residential Level 3	Outreach	Assessment	Intervention	FIS
State ADM Funding														
General Revenue, ADM Trust Fund, G & D	\$ 45,137	\$ -	\$ -	\$ -	\$ 45,137	\$ (1,482)	\$ 57,833	\$ 788,454	\$ 252,418	\$ 71,734	\$ 109,643	\$ 15,599	\$ (7,526)	\$ 359,943
Services to Women	-	-	-	-	-	2,569	61,661	-	225,598	114,246	-	-	1,911	-
TANF	-	-	-	-	-	93,618	-	-	167,912	104,353	-	23,508	-	-
Mental Health	-	22,040	104,977	93,388	220,405	-	-	-	-	-	-	-	-	-
Aftercare	39,907	-	-	-	39,907	-	-	-	-	-	-	-	-	-
Intravenous Drug	-	-	-	-	-	78,159	-	-	-	-	-	-	26,600	-
Tobacco Settlement Trust Fund	-	-	-	-	-	125,487	85,225	-	55,753	49,664	-	126,615	140,316	-
CFBHN General Revenue	85,044	22,040	104,977	93,388	305,449	298,351	204,719	788,454	701,681	339,997	109,643	165,722	161,301	359,943
Patient Service Revenue														
Other State Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Polk Co. Health Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medicaid	-	-	-	-	-	48,636	-	-	75,144	(11,813)	-	-	-	-
Local Government	-	-	-	-	-	153,472	89,493	169,352	152,401	-	-	-	-	-
Federal Grants and Contracts	-	-	-	-	-	202,108	89,493	169,352	227,545	(11,813)	-	-	-	-
All Other Funding and Revenue														
Alcohol/Drug Fees	438	-	-	-	438	4,001	-	(3,412)	1,618	3,898	-	-	7,400	-
First and Third Party Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federated Campaigns	-	-	-	-	-	31,220	-	-	-	53,992	-	-	-	-
Laboratory Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DUI Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DARE Fees	-	-	-	571	571	522	-	1,400	424	1,643	-	-	-	-
Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental Income	-	-	-	-	-	6,197	-	1,860	-	-	-	-	-	-
Interest Income	-	-	-	-	-	1,910	111	726	15,748	206	92	49	280	-
Other	61	31	49	-	141	11,792	-	-	-	-	-	-	-	-
In-Kind	-	-	-	-	-	55,642	111	-	-	-	-	-	-	-
	499	31	49	571	1,150	55,642	111	574	17,790	59,739	92	49	7,680	-
Total All Funding and Revenue	\$ 85,543	\$ 22,071	\$ 105,026	\$ 93,959	\$ 306,599	\$ 556,101	\$ 294,323	\$ 958,380	\$ 947,016	\$ 387,923	\$ 109,735	\$ 165,771	\$ 168,981	\$ 359,943

TRI-COUNTY HUMAN SERVICES, INC.

SCHEDULE OF FUNDING AND REVENUE SOURCES

YEAR ENDED JUNE 30, 2010

	Substance Abuse - Adult					Substance Abuse - Adolescent									
	Aftercare	Psych & Medical Services	Florida Center Services	Star Program	Total Substance Abuse-Adult	FIS Services	Peer Spec	Total Adolescent Mental Health	Outpatient	Case Management	Residential Level 4	Prevention	Prevention/ Intervention	Assessment	Intervention
State ADM Funding															
General Revenue, ADM Trust															
Fund, G & D	\$ 120,123	\$ 48,970	\$ 1,630,443	\$ 5,166	\$ 3,477,835	\$ -	\$ -	\$ -	\$ 30,737	\$ 17,998	\$ 21,518	\$ 291,104	\$ 144,204	\$ (3,765)	\$ (20,173)
Services to Women	-	-	230,825	-	577,432	-	-	-	-	-	-	-	-	-	-
TANF	-	-	-	-	451,052	-	-	-	-	-	-	-	-	-	-
Mental Health	-	-	-	-	-	15,005	50,595	65,600	-	-	-	-	-	-	-
Aftercare	64,834	-	-	-	64,834	-	-	-	-	-	-	-	-	-	-
Intravenous Drug	-	-	-	-	104,759	-	-	-	-	-	-	-	-	-	-
Tobacco Settlement Trust Fund	-	-	-	-	583,060	-	-	-	19,039	39,480	8,806	-	-	78,713	111,244
CFBHN General Revenue	184,957	48,970	1,861,268	5,166	5,258,972	15,005	50,595	65,600	49,776	57,478	30,324	291,104	144,204	74,928	91,071
Patient Service Revenue															
Other State Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Polk Co. Health Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medicaid	11,521	-	-	-	111,967	-	-	-	16,513	-	-	-	-	-	-
Local Government	-	-	-	-	576,239	-	-	-	-	-	-	-	-	-	-
Federal Grants and Contracts	11,521	-	-	-	688,206	-	-	-	16,513	-	-	-	-	-	-
All Other Funding and Revenue															
Alcohol/Drug Fees	(1,417)	-	2,482	-	17,502	-	-	-	(1,971)	-	-	-	-	-	10,609
First and Third Party Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federated Campaigns	-	-	-	-	53,992	-	-	-	-	-	-	-	-	-	-
Laboratory Fees	-	-	-	-	31,220	-	-	-	5,680	-	-	-	-	-	-
DUI Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DATE Fees	-	-	70	-	4,059	-	75	75	393	-	-	393	-	-	-
Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental Income	-	-	-	-	8,057	-	-	-	620	-	-	775	775	-	-
Interest Income	4,070	22	3,085	-	26,335	-	-	-	757	-	-	203	81	-	-
Other	-	-	858	-	12,650	-	-	-	-	-	-	78,233	122,013	-	-
In-Kind	2,653	22	6,495	-	153,815	-	75	75	5,479	-	-	79,604	122,869	-	10,609
Total All Funding and Revenue	\$ 199,131	\$ 48,992	\$ 1,867,763	\$ 5,166	\$ 6,100,993	\$ 15,005	\$ 50,670	\$ 65,675	\$ 71,768	\$ 57,478	\$ 30,324	\$ 370,708	\$ 287,073	\$ 74,928	\$ 101,680

(continued)

TRI-COUNTY HUMAN SERVICES, INC.

SCHEDULE OF FUNDING AND REVENUE SOURCES

YEAR ENDED JUNE 30, 2010

Other Programs - Adult

Substance Abuse - Adolescent

	Total Substance Abuse Adolescent		Adult Housing	HUD Contracts	The Rez	DUJ	Non-ADM	Total Other Programs Adult	Support Services	Fund Raising	2010 Total Revenue
	Aftercare	Substance Abuse Adolescent									
State ADM Funding											
General Revenue, ADM Trust Fund, G & D	\$ (1,296)	\$ 505,844	750,000	\$ -	\$ -	\$ -	\$ 750,000	\$ -	\$ -	\$ -	\$ 4,778,816
Services to Women	-	-	-	-	-	-	-	-	-	-	577,432
TANF	-	-	-	-	-	-	-	-	-	-	451,052
Mental Health	-	-	-	-	-	-	-	-	-	-	286,005
Aftercare	-	-	-	-	-	-	-	-	-	-	104,741
Intravenous Drug	-	-	-	-	-	-	-	-	-	-	104,759
Tobacco Settlement Trust Fund	1,759	259,041	-	-	-	-	-	-	-	-	842,101
CFBHN General Revenue	463	764,885	750,000	-	-	-	750,000	-	-	-	7,144,906
Patient Service Revenue											
Other State Funding	-	-	-	-	-	-	306,093	306,093	-	-	306,093
Polk Co. Health Plan	-	-	-	-	-	-	-	-	-	-	-
Medicaid	-	16,513	-	-	-	-	-	-	-	-	128,480
Local Government	-	-	-	-	-	-	465,000	465,000	406,381	-	1,447,620
Federal Grants and Contracts	-	-	-	118,781	-	-	118,781	118,781	-	-	118,781
	-	16,513	-	118,781	-	-	771,093	889,874	406,381	-	2,000,974
All Other Funding and Revenue											
Alcohol/Drug Fees	-	8,638	-	-	13,558	-	855	14,413	364,625	-	405,616
First and Third Party Fees	-	-	-	-	-	-	-	-	-	-	-
Federated Campaigns	-	-	-	-	-	-	-	-	-	-	53,992
Laboratory Fees	-	5,680	-	-	-	-	-	-	-	-	36,900
DUJ Fees	-	-	-	-	495,233	-	-	495,233	-	-	495,233
DATF Fees	-	-	-	-	-	-	6,664	6,664	-	-	6,664
Contributions and Donations	-	786	-	-	-	-	-	-	148	-	5,639
Rental Income	-	2,170	-	-	-	19	-	19	34,957	-	34,957
Interest Income	-	1,041	-	-	-	258	-	258	11	-	10,257
Other	-	200,246	-	54	-	-	3,061	3,373	227,356	35,879	294,225
In-Kind	-	218,561	-	54	13,558	495,510	10,580	519,702	626,949	36,127	212,896
	-	999,959	750,000	118,835	13,558	495,510	781,673	2,159,576	1,033,330	36,127	10,702,259
Total All Funding and Revenue	\$ 463	\$ 999,959	\$ 750,000	\$ 118,835	\$ 13,558	\$ 495,510	\$ 781,673	\$ 2,159,576	\$ 1,033,330	\$ 36,127	\$ 10,702,259

AUDIT SCHEDULE

**Schedule of State Earnings for
Fiscal Year 6 / 30 / 10**

1	Total Expenditures	\$	10,702,252
2	Less Other State and Federal Funds	\$	(2,288,056)
3	Less Non-Match SAMH Funds	\$	(4,526,901)
4	Less Unallowable Costs per 65E-14, F.A.C.	\$	(1,179,008)
5	Total Allowable Expenditures (Sum of lines 1, 2, 3, and 4)	\$	2,708,287
6	Maximum Available Earnings (Line 5 times 75%)	\$	2,031,215
7	Amount of State Funds Requiring Match	\$	1,895,662
8	Amount Due to Department (Subtract line 7 from line 6)	\$	-

AUDIT SCHEDULE

**Schedule of Related Party Transaction Adjustments
for the Fiscal Year Ending 06 / 30 / 2010**

Revenues From Grantee	Related Party	Allocation of Related Party Transactions Adjustment					Total
		State-Designated Cost Centers					
		1	2	3	Total	
Rent	0						
Services	0						
Interest	0						
Other	0						
Total Revenue From Grantee	0						
Expenses Associated with Grantee Transactions							
Personnel Services	0						
Depreciation	0						
Interest	0						
Other	0						
Total Associated Expenses	0						
Related Party Transaction Adjustment	0	0	0	0	0	0	

TRI-COUNTY HUMAN SERVICES, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal/State Agency Pass-Through Entity Federal Program/State Project</u>	<u>CFDA/ CFSA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Indirect Programs			
PASSED THROUGH FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES:			
Strengthening treatment access/retention	93.243	-	\$ 5,166
Adult, adolescent and child substance abuse	93.959	* TDJ05	2,176,231
Adult, adolescent and child substance abuse	93.959	* TDH03	1,195,205
Primary care/AIDS	93.959	* TDJ05	104,759
Adult mental health	93.150	TDJ05	93,388
Adolescent substance abuse	93.959	* TDK07	120,000
PASSED THROUGH CENTRAL FLORIDA BEHAVIORAL HEALTH NETWORK:			
Adult mental health	93.958	* QD0AR	39,907
Adult substance abuse	93.959	* QD0AR	34,514
Adult substance abuse	93.558	* TDK10	432,574
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>4,201,744</u>
U.S. DEPARTMENT OF JUSTICE			
Indirect Program			
PASSED THROUGH POLK COUNTY, FLORIDA	16.593	2010-RSAT- Polk-1-W9-004	66,667
PASSED THROUGH HIGHLANDS COUNTY, FLORIDA	16.593	2010-RSAT- High-1-W9-002	66,667
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>133,334</u>
U.S. DEPARTMENT OF LABOR			
Indirect Program			
PASSED THROUGH HEARTLAND WORKFORCE			
ARRA – Workforce Investment Act - Adult	17.258	E0000132	81,737
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>81,737</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Direct Program			
Residential assistance for prevention program female clients	14.235	FL0050B4H030801	55,927

*Major Federal Programs and State Projects

TRI-COUNTY HUMAN SERVICES, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Federal/State Agency Pass-Through Entity Federal Program/State Project	CFDA/ CFSA Number	Contract Number	Expenditures
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT - CONTINUED			
Residential assistance for prevention program female clients	14.235	FL0155B4H160801	\$ 49,439
TOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			<u>105,366</u>
TOTAL FEDERAL AWARDS			<u>4,522,181</u>
STATE FINANCIAL ASSISTANCE			
Direct Project			
FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES:			
Adult mental health	60.053	TDJ05	53,125
Adolescent mental health	60.055	TDJ05	65,600
Adult, adolescent and child substance abuse	60.030	TDJ05	259,041
Adult, adolescent and child substance abuse	60.031	* TDJ05	196,469
Adult, adolescent and child substance abuse	93.959	* TDJ05	199,005
Adult, adolescent and child substance abuse	93.959	* TDH03	19,903
Adult, adolescent and child substance abuse	60.031	* TDH03	111,868
Adult, adolescent and child substance abuse	60.033	* TDJ05	583,061
Adult, adolescent and child substance abuse	60.033	* TDH03	532,741
Adult mental health	60.114	TDJ05	119,029
Homeless Housing Assistance	60.015	* TFKZ1	750,000
Indirect Project			
PASSED THROUGH CENTRAL FLORIDA BEHAVIORAL HEALTH NETWORK:			
Adult substance abuse	93.959	* QD0AR	1,903
Adult substance abuse	60.033	* QD0AR	28,417
Adult substance abuse	93.558	* TDK10	18,477
TOTAL STATE FINANCIAL ASSISTANCE			<u>2,938,639</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u><u>\$7,460,820</u></u>

*Major Federal Programs and State Projects

TRI-COUNTY HUMAN SERVICES, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

JUNE 30, 2010

NOTE A - GENERAL

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal and state financial assistance programs of Tri-County Human Services, Inc. (the "Agency"). The reporting entity for the Agency is defined in Note A to the basic financial statements for the year ended June 30, 2010. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included in the schedule.

NOTE B - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the accrual basis of accounting, which is described in Note A of the Agency's basic financial statements for the year ended June 30, 2010.

NOTE C - GRANTS RECEIVABLE

Grant funds expended during the year exceed cash received from grantors by \$227,107. The following reconciliation explains differences between cash basis and accrual basis accounting for federal and state funds expended during the year ended June 30, 2010.

			<u>Grants received</u>	<u>Grants Receivable</u>	<u>Grants Expended</u>
<u>Department of Children and Families</u>					
Federal Awards					
	93.959	TDJ05	\$ 2,002,702	\$ 173,529	\$ 2,176,231
	93.959	TDJ05	97,616	7,143	104,759
State Financial Assistance					
	60.031	TDJ05	183,074	13,395	196,469
	60.033	TDJ05	580,285	2,776	583,061
	60.055	TDJ05	48,905	16,695	65,600
	93.959	TDJ05	185,436	13,569	199,005
			<u>\$ 4,293,223</u>	<u>\$ 227,107</u>	<u>\$ 3,325,125</u>

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

Board of Directors
Tri-County Human Services, Inc.
Lakeland, Florida

We have audited the financial statements of **Tri-County Human Services, Inc.** (the "Agency"), as of and for the year ended June 30, 2010, and have issued our report thereon dated September 2, 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 Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis.

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



Tri-County Human Services, Inc.
Independent Auditors' Report on Internal
Control Over Financial Reporting and on
Compliance and on Other Matters
Based on an Audit of Financial
Statements Performed in Accordance
With *Government Auditing Standards*
Page Two

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and the Florida Department of Children and Families, and is not intended to be and should not be used by anyone other than these specified parties.

Baylin & Company PA

Certified Public Accountants
September 2, 2010



**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Tri-County Human Services, Inc.
Lakeland, Florida

Compliance

We have audited the compliance of **Tri-County Human Services, Inc.** 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 are applicable to each of its major federal programs and state projects for the year ended June 30, 2010. **Tri-County Human Services, Inc.'s** major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **Tri-County Human Services, Inc.'s** management. Our responsibility is to express an opinion on **Tri-County Human Services, Inc.'s** compliance based on our audit.

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

In our opinion, **Tri-County Human Services, Inc.** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended June 30, 2010.



Tri-County Human Services, Inc.
Independent Auditors' Report on
Compliance With Requirements
Applicable to Each Major Program
and on Internal Control Over
Compliance in Accordance with
OMB Circular A-133
Page Two
September 2, 2010

Internal Control Over Compliance

The management of **Tri-County Human Services, Inc.** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered **Tri-County Human Services, Inc.'s** internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over the compliance. Accordingly, we do not express an opinion on the effectiveness of **Tri-County Human Services, Inc.'s** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program or a state project on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

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



Tri-County Human Services, Inc.
Independent Auditors' Report
on Compliance With Requirements
Applicable to Each Major Program
and on Internal Control Over
Compliance in Accordance with
OMB Circular A-133
Page Three

This report is intended solely for the information and use of the board of directors, management, Federal awarding agencies, and the Florida Department of Children and Families and is not intended to be and should not be used by anyone other than these specified parties.

Baylin & Company PA

Certified Public Accountants
September 2, 2010



TRI-COUNTY HUMAN SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

PART I - SUMMARY OF AUDITORS' RESULTS

General Purpose Financial Statement Section

Type of auditors' report issued:	Unqualified Opinion
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	No
Noncompliance material to general purpose financial statements noted?	No

Federal and State Awards Section

Dollar threshold used to determine Type A program:	\$300,000
Auditee qualified as low-risk auditee for federal awards?	Yes
Type of auditors' report on compliance for major programs:	Unqualified Opinion
Internal control over compliance:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	No
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	No
Identification of major programs:	
See Schedule of Expenditures of Federal Awards and State Financial Assistance	
Findings relating to the financial statements reported in accordance with <i>Government Auditing Standards</i> :	No
Findings and questioned costs relating to federal programs and state projects for current fiscal year:	No
Findings and questioned costs related to federal programs and state projects for the prior fiscal year:	No

TRI-COUNTY HUMAN SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010 - CONTINUED

PART II - SCHEDULE OF FINDINGS

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the general purpose financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

No significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the general purpose financial statements were noted.

PART III - SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs as required to be reported by Section 510(a) of Circular A-133 and the State Projects Compliance Supplement.

No significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs were noted.

TRI-COUNTY HUMAN SERVICES, INC.

Report to the Board of Directors

June 30, 2010

Board of Directors
Tri-County Human Services, Inc.
Lakeland, Florida

We are pleased to report that we have completed our engagement to examine the financial statements of **Tri-County Human Services, Inc.** (the "Agency") and have issued our report thereon, dated September 2, 2010.

Our report has been completed without qualification or exception.

Baylis & Company PA is privileged to have the opportunity to assist the Agency in the important responsibility of reporting the financial results of its operations for the recent fiscal period. The information contained in the financial reports will assist the Board of Directors as it monitors and plans the financial activities of the Agency.

This report provides the members of the Board of Directors further insight into our audit processes and conclusions and is intended solely for its use internally.

Finally, we are proud of our working relationship with the Agency and appreciate the cooperation we received from the staff in the performance of this engagement and look forward to continuing our professional relationship in the future.

As always, we stand ready to answer any questions you may have regarding our report or any other matter.

Baylis & Company PA

Certified Public Accountants

September 2, 2010



TRI-COUNTY HUMAN SERVICES, INC.
Report to the Board of Directors
For the Year Ended June 30, 2010

SCOPE OF EXAMINATION

We have audited the financial statements of **Tri-County Human Services, Inc.** (the "Agency") as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated September 2, 2010.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and State Project, and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Schedule of Findings and Questioned Costs. Disclosures in these reports and schedule which are dated September 2, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.650, Rules of the Auditor General, which govern the conduct of local government and not for profit entity audits performed in the State of Florida and require that certain items be addressed in this letter. Our audit report on the financial statements, dated September 2, 2010, was rendered without qualification.

Management cooperated fully with our audit team and we had no disagreements concerning accounting or auditing procedures. We were provided access to all records, documents and other supporting data that we requested, and no restrictions were imposed on the method or extent of our work.

REQUIRED COMMENTS/DISCLOSURES

Professional standards require the auditor to determine that certain matters are communicated to the audit committee or its equivalent. Other comments are for the general use and consideration of the Board of Directors.

Auditor's Responsibility Under Generally Accepted Auditing Standards

We are responsible for performing an audit in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable, not absolute, assurance about whether the financial statements are free of material misstatement. An audit of the financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. An audit of financial statements, however, does not include a detail audit of transactions as would be necessary to disclose defalcations or other misappropriations that do not cause a material misstatement of the financial statements.

Significant Accounting Policies

There have not been any initial selections of, or changes in, significant accounting policies during the year. In addition, there have not been any controversial or emerging areas for which there is a lack of authoritative guidance or consensus for which the significant accounting policy selected would have a significant effect. The significant accounting policies of the Agency are discussed in the footnotes to the financial statements.



TRI-COUNTY HUMAN SERVICES, INC.
Report to the Board of Directors
For the Year Ended June 30, 2010

Management Judgment and Accounting Estimates

Estimates are an integral part of preparing the financial statements. These estimates are based upon management's current judgments, which include the knowledge and experience about past and current events.

Significant Audit Adjustments

There were no significant audit adjustments made to the financial statements of the Agency for the year ended June 30, 2010 as a result of our audit.

Disagreements with Management or Difficulties Encountered in Performing the Audit

Management cooperated fully with our audit team, and we had no disagreements concerning accounting matters or difficulties in dealing with management relating to the performance of auditing procedures.

Consultation with Other Independent Accountants

We are not aware that management consulted with other accountants regarding accounting, auditing or reporting issues relative to our audit of the June 30, 2010 financial statements of the Agency.

Major Issues Discussed with Management Prior to Engagement as Independent Accountants

No major accounting or reporting issues were discussed with management prior to our engagement as independent accountants for the Agency for the year ended June 30, 2010.

Significant Deficiencies in the Design or Operation of the Control Structure

Our review and evaluation of the internal control over financial reporting disclosed no condition that we believe to be a material weakness.

Difficulties Encountered in Performing the Audit

We did not encounter any serious difficulties in performing the audit. Management provided adequate and timely access to all necessary audit information.

Consideration of Fraud

Professional standards require the auditor to communicate to the audit committee any fraud involving senior management and fraud that causes a material misstatement of the financial statements. These standards clarify the auditor's responsibility for detection of fraud, which has been expanded in description to include both fraudulent financial reporting and misappropriations.

We did not note any incidence of fraud during the course of our audit. Further, we did not note any fraud risk factors, which would have continuing control implications.



TRI-COUNTY HUMAN SERVICES, INC.
Report to the Board of Directors
For the Year Ended June 30, 2010

Illegal Acts

Professional standards require the auditor to communicate to the audit committee any illegal acts involving senior management that come to the auditor's attention and to obtain assurance that the audit committee is adequately informed about any other illegal acts that come to the auditor's attention unless clearly inconsequential. Matters to be communicated in accordance with these standards are as follows:

We did not note any illegal acts during the course of our audit.

Consulting Services

Independent accounting and auditing firms often gain substantial insight into the "best practices" of many organizations, which they are privileged to provide professional services. To the extent these practices are general and non-proprietary in nature, they apply to all types of organizations. Business schools, trade associations and leadership groups often share this information in a continuous effort to improve and develop organizations.

These insights can be of substantial benefit to organizations seeking to improve their operations or financial results, particularly if they come from trusted advisors, such as independent certified public accountants.

During the course of the engagement period, management may engage our firm to perform consulting services, which are beyond the scope of the normal audit engagement.

We do not consider such services to be significant in scope nor to impair our independence or objectivity.

During the period ended June 30, 2010, consulting services performed were under \$1,000.

AUDITOR GENERAL REQUIRED COMMENTS/DISCLOSURES

Chapter 10.650, Rules of the Auditor General, requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, the following matters are required to be disclosed: None.

PRIOR YEAR IRREGULARITIES

None

CURRENT YEAR IRREGULARITIES

None

TRI-COUNTY HUMAN SERVICES, INC.
Report to the Board of Directors
For the Year Ended June 30, 2010

MANAGEMENT LETTER COMMENTS

In planning and performing our audit of the financial statements of Agency for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies to be significant deficiencies in internal control: None

We noted certain items of a general nature regarding operational matters that are presented for your consideration. Our comments are summarized as follows:

PRIOR YEAR RECOMMENDATIONS (current year comments in *italics*)

None noted

CURRENT YEAR RECOMMENDATIONS

None noted

Summary

Our comments and/or recommendations have been discussed with the appropriate members of management and we would be pleased to review these matters in further detail at your convenience. This report is intended solely for the information and use of the board of directors, management, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the staff and management for their support and assistance during our engagement and we look forward to continuing our working relationship in the future.

